



“Xelpmoc Design and Tech Ltd. Q2 FY21 Results
Conference Call”

November 09, 2020



**MANAGEMENT: MR. SANDIPAN CHATTOPADHYAY – MANAGING
DIRECTOR & CHIEF EXECUTIVE OFFICER, XELPMOC
DESIGN AND TECH LTD.
MR. SRINIVAS KOORA – CHIEF FINANCIAL OFFICER,
XELPMOC DESIGN AND TECH LTD.**



*Xelpmoc Design and Tech Limited
November 9, 2020*

Moderator: Ladies and gentlemen, good day and welcome to the Xelpmoc Design and Tech Limited Q2 FY'21 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ravi Udeshi from Christensen IR. Thank you and over to you, sir.

Ravi Udeshi: Thank you, Rayomand. Good evening, everyone, and thanks for joining the Q2 FY'21 Earnings Call for Xelpmoc Design and Tech. Great pleasure to have all of you in this call today.

The results and Investor Presentation have been mailed to you and is also present in the BSE website as well as our website. In case anyone has not received the release, please do write to us and we will be happy to send the press release and presentation to you.

To take us through the results and to answer your questions, we have the management of Xelpmoc represented by Mr. Sandipan Chattopadhyay -- M.D. and CEO and Mr. Srinivas Koora -- the CFO of Xelpmoc. Mr. Srinivas Koora will start the call with a brief overview of the quarter gone past and after that we will throw open the floor to Q&A.

The standard Safe Harbor clause applies. And with that said, I now hand over the call to Mr. Srinivas Koora.

Srinivas Koora: Thank you, Ravi. Good evening, everyone. Welcome to Xelpmoc's Earning Call for the Second Quarter of Fiscal 2021. I hope you and your family members are healthy and safe at home. I am pleased to share with you that we continue with our execution built on identifying the opportunities in the sector that fit our HEAL strategy. Our operating revenue for the quarter was Rs.34.7 million as compared to Rs.35.1 million in Q1 FY'21. On year-on-year basis, we grew by 129.9% as compared to Rs.15.1 million over the corresponding period of last year. EBITDA for the quarter increased by 6.3% on quarter-on-quarter basis to Rs.14.9 million as compared to Rs.14.1 million in Q1 FY'21 and a Rs.(-13.2) million in Q2 FY'20. EBITDA margins also grew from 40.1% in Q1 FY'21 to 43.0% in Q2 FY'21 due to our focus on cost management and the resulting gains on account of the pandemic. Net profit for the quarter was Rs.15.6 million as compared to Rs.16.7 million in Q1 FY'21, while it was a net loss of about Rs.11 million in Q2 FY'20. More than half of our revenues came from international clients, which highlight our client network connect despite the international COVID disruption.

Our team size is about 106 including employees, interns and consultants. Till date, we have served about 41 clients and our good results have been built on sustained in-depth involvement with our clients.

The fair value of our investment in portfolio companies stood at approximately Rs.439 million as on September 30, 2020 as compared to Rs.285 million as on September 30, 2019.



*Xelpmoc Design and Tech Limited
November 9, 2020*

One of our portfolio companies Mihup recently concluded a series A fund raise, continues to add to its offering in diverse sectors. Another portfolio company, TSIM, has been awarded by Hyderabad Software Enterprises as the Top-10 Startups of Hyderabad and also a winner of Women-Led Startup.

Our EduTech venture solution is being rolled up to increase its coverage from single digit to double digit in terms of number of schools.

Though the pandemic has partially limited our appetite for new acquisitions, yet, we managed to sign new portfolio companies.

Last week, our board has approved investment in Afterthought Feedback Services Private Limited, a Hyderabad-based company which is into market research and online service; and another company, Groupfit Ventures Private Limited, with plans to foray into preventive healthcare; and another company which is based out of Bombay NaikTechXP, a data science technology and a strategic solutions company in the wealth management space.

Our board has also approved investment in our wholly-owned subsidiary, Signal Analytics Private Limited, which will act as a fulcrum for developing and investing in education, technology, including related content, activity kids, QFX, gaming, and subscription marketing of our core non-specific IP. Further, our board has also approved incorporation of a company's UK subsidiary in the interest of promoting our business at a global level.

Now, I come to the forecast for the balance fiscal. We would be continuing to concentrate our resource on attractive markets and portfolios, including Fortigo Network Logistics, Mihup, Woovly, health sector, insurance, education, edutech and agriculture.

We are seeing some good growth opportunities in insurance and healthcare due to the increased focus on personal wellbeing.

We reiterate our outlook on being EBITDA-positive in FY'21 end excluding any ESOP's. We retain our cautiously optimistic outlook given the current challenging times limiting the opportunity to bring onboard new clients.

With this, now I request the moderator to open the floor for question-and-answer session.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sudeep Bujar who is an individual investor. Please go ahead.

Sudeep Bujar:

I have a couple of questions; first is, there has been an increase in our trade receivables. So, I just wanted to get an idea on that particular item. And the next question is that our investments



*Xelpmoc Design and Tech Limited
November 9, 2020*

in Learning Hats and Catailyst Inc., I cannot see in the list of portfolio investments. So if you could explain that?

Sandipan Chattopadhyay: So to answer your first question, as to why the trade receivables have increased, most of the billing has happened in the month of September and October because of which, you are seeing the trade receivables and the investment in Catailyst and Learning Hats is under process, most likely we should be able to conclude in this quarter even in the exchanges intimation we said that it will take time because it is in process, it would be concluded in this quarter.

Sudeep Bujar: And another thing, the increase in the investment value of our portfolio, is it purely due to revaluation or we have increased stakes in some of our investments as well?

Srinivas Koora: So, basically, in a couple of entities, our investment has gone up because basically whenever we sign up with any new entity, we also pick up equity for developing technology. So Pencil is one among them, and apart from that, what happened was, there was also a round of investment which has happened in Mihup which I stated right now, where Mihup has gone ahead and raised a Series-A5 round of funding.

Moderator: Thank you. The next question is from the line of Hasmukh Gala from Finvest Advisors. Please go ahead.

Hasmukh Gala: Just a few questions. My first question is that what is your plan for the education venture?

Sandipan Chattopadhyay: Education ventures, we are just having a product which will be catering to schools. That is the edutech part of Xelpmoc. And apart from that, we are trying to get into some other areas which you may call edutainment, not the formal education sector, but in creating interest in science or interest in other subjects, through activity-based approaches and stuff like that. That is a different line of business, for which we are just taking Signal as a subsidiary, and we will be constructing some paradigms there. The idea is to go for B2C things here through a clutch of investments or startups who we will co-create along with the founders.

Hasmukh Gala: Okay, but the way in which online learning, etc., is going on because of these COVID situation, so do you see any increasing opportunities in the education space?

Sandipan Chattopadhyay: Everyone sees the opportunity, that is why there are so many takers in it. It all matters how you execute it and how you are able to distribute it. So we are taking care of those aspects and doing it, but we believe that edutainment has a growing need now, especially because of not just the pandemic but also because of the non-modernization of things in gaming and toys and self-sustenance and the back part. We do see an opportunity increasing there.

Hasmukh Gala: My second question, is the new investment that you have announced, would they have any platform or will you be creating any platform like what Fortigo has?



*Xelpmoc Design and Tech Limited
November 9, 2020*

Sandipan Chattopadhyay: All of the projects that we take, sir, is where we have our technology role to play, and we are the technology implementers. And we act like the co-founder for technology for all these ventures. So yes, by rule, any venture that we are investing in is because we want to develop some sort of a technology platform or a solution which will cater to the targeted audience.

Hasmukh Gala: Somebody asked the question previously. How much extra investment we have made in the existing company as a result of which our total valuation has gone up by 26%?

Sandipan Chattopadhyay: I cannot answer that technically. I do not think we have made any big investment in any of the existing companies.

Srinivas Koora: See, basically, what we did was in a couple of entities like Leadstart Publications, and Femmevista where like, based on the technology that the investment has gone up, but it is very marginal. The growth in investment what you see is especially coming from Mihup, in case, if you look at Mihup as on 31st March 2020, it was Rs. 5.31 crores which has gone to Rs. 11.84 crores.

Hasmukh Gala: My another question is, what kind of value creation and the time horizon do you have in mind so that the wealth of the shareholders can increase in our company?

Sandipan Chattopadhyay: We do not have any number in mind, sir. But, of course, we will try to maximize whatever opportunities we get. And we have taken sectors which we believe will have an auto growth which will lead to the valuation increase. And from the past experience, if we look at it, I think the choosing of the sector and entrepreneurs has been pretty much verified by the increasing share in their holding. So to put a number on that we want to enter the sectors that we have already earmarked, we will not deviate from that, we will try to capitalize every opportunity, but as you understand with any startup, the chance of success and failure is not predetermined, we try to minimize the chance of failure by putting in our best effort. But choosing the sector we make sure that we are not chasing the wrong goals. It is about judgment and all, but finally all it comes on to the execution and how the market is.

Moderator: Thank you. The next question is from the line of Puneet Motihar, who is an individual investor. Please go ahead.

Puneet Motihar: My first question is regarding the ESOPS. We have two different pricing for the same. Can you please throw some light on that?

Srinivas Koora: Yes, it is basically people who have joined at a different phase of time and whatever negotiation that we did with them, based on that it has been issued. So that was pre-determined while onboarding an employee.

Puneet Motihar: So certain employees will get Rs.10 ESOP, while others get...?



*Xelpmoc Design and Tech Limited
November 9, 2020*

Srinivas Koora: When they join at that time whatever is the fair value. What we agreed with them based on that and subject to board approval, etc.,

Puneet Motihar: My second question is based on hiring. We have close to 106 employees onboard. When do we expect that number to cross 150?

Sandipan Chattopadhyay: No such time limits or anything of that sort, we will hire as we feel the need for it, and there will be some increase for sure, because our project load has increased significantly in the last four, five months. But we do not have a target that we have to get 150 people and all because unlike other places, we are not into a body shopping business, we hire on a need basis and on the kind of calculations basis that we need to do for new work that has been done. Leveraging the existing frameworks, being able to make more sense out of it or more variations out of it is the current focus. For the moment, we typically are slightly less than comfortable kind of situation in terms of recruitment, but we are never short-staffed.

Puneet Motihar: Sir, most of the recruitment will be done in India or will there be some onshore recruitment as well?

Sandipan Chattopadhyay: Once we set up the European venture for UK and all, we have allocated some budget for at least having two, three heads who are stationed there. We are not trying to set up a front office in London. We are trying to create a business in London which will be a subsidiary of India. To that effect whatever is the right person to approach the market because sending a person from here who will gather the market intelligence and then marketing probably is little bit of a long-term planning, we may do that for junior people. But we do plan to hire one or two senior people, but not more than that.

Puneet Motihar: And the London Business will mainly cater to Traydstream or other companies?

Sandipan Chattopadhyay: No-no, London business is for the European market services.

Puneet Motihar: Okay, that includes Traydstream as well?

Sandipan Chattopadhyay: Yes, everything.

Moderator: Thank you. The next question is from the line of Om Prakash Shah from Amity Investments. Please go ahead.

Om Prakash Shah: Sir, our valuation is given at Rs.43.9 million. From sources I know that this is much higher than that. Is it true or only fair value given?

Srinivas Koora: Basically, we have given you fair value based on like very conservative estimate and based on the last round of funding of the companies, for example, in case any of the companies can go



*Xelpmoc Design and Tech Limited
November 9, 2020*

ahead and raise at a pretty higher valuation, you know the startups, how the valuation can keep on increasing quarter-on-quarter basis, for example, you have seen Mihup, it was valid close to about Rs. 5 crores as of 31st March, but it has jumped to Rs. 11.84 crores, more than 100% jump in six months.

Om Prakash Shah: But there the new allotment done it was much-much higher prices to Accel Partners, Ideaspring and Nandan Nilekani from Fortigo. So, is that included or not sir?

Sandipan Chattopadhyay: Fortigo is a separate entity. It is about Rs.19.5 crores as of 31st March and as of September it is Rs.21.79 crores.

Moderator: Thank you. The next question is from Salva Kumar, who is an individual investor, please go ahead.

Salva Kumar: I have a couple of questions. So looking at the value of the portfolio, some of the companies, the fair value is decreasing like when compared to March 31, 2020, like for example, Madworks Ventures Private Limited. Can you please throw some light on that like, what is the future prospects of those companies since the value getting decreased?

Srinivas Koora: Pretty much we valued based on their performance, and as you know that last six months like most of the businesses were suffering because of the pandemic. So we have taken a very, very conservative approach, and in case, if you look at it, it is about Rs .99 lakhs going to about Rs.12 lakhs. In case if you look at overall in the portfolio size, it is close to about less than 1% or 2%.

Salva Kumar: So you mean to say that like the prospects are looking good but due to the pandemic like...?

Sandipan Chattopadhyay: In the absence of any other benchmark, the external funding, we take a conservative approach based on the situation and the businesses fitment into it.

Salva Kumar: We have some data products like DocuX. So, how much really it is contributing to the revenue?

Sandipan Chattopadhyay: As I said, there are some proof-of-concepts going on, but as I had said earlier also we expect the revenues from those to come in only next year first quarter, second quarter onwards. I would say they take time to mature, we have to deploy it in some places, we have to do some things which are fine tuning, then we can actually make it into a final product, hence product cycle is longer.

Salva Kumar: So when looking at the cash flow like where we are really getting the money like is it from the corporates or is it from the startups?

Srinivas Koora: Main paying customers are generally startups. Learning Hat is one of the biggest customers who is paying us. Slate is one of the customers who is paying us. And Leadstart Press, TSIM, like this list goes on, the majority are the startups.



*Xelpmoc Design and Tech Limited
November 9, 2020*

Moderator: Thank you. The next question is from the line of Harish Kumar Gupta from Nirmal Bang Securities. Please go ahead.

Harish K Gupta: Right now, we have around 100 employees. And our quarterly run rate is around Rs.4 crores. So can you please tell me like, if we want to achieve the turnover of double like Rs.8 crores, our number of employees will be doubled, or what will be the approximate ratio?

Sandipan Chattopadhyay: See, doubling the revenue has several aspects to it. But kind of a metric that you are trying to look at, then depends on which source the revenue is coming from. If we decide to stay profitable, but still go the startup way, then the number of people that we would need probably would not double for doubling the revenue, but probably would have to increase by 75% to 80% if we focus on our startup companies and the corporate mix in the current fashion. So, as I was telling that if we need to double it up with keeping the current mix of focus on startups and all, then we will not need to go to 100%, but surely 60% to 75% more, if we need it, double the thing at the same ratio. However, if we go on the services part, the increase could vary anywhere between 30% more to 60% to 75% more.

Moderator: Thank you. The next question is from the line of Deesha, who is an individual investor. Please go ahead.

Deesha: I have a question on Woovly. Recently, certain media articles stated that Woovly has pivoted towards social commerce model. So, can you highlight the opportunity in the social commerce space, in general, if you could throw some light, how is Woovly trying to monetize things like that?

Sandipan Chattopadhyay: We thought it is a great opportunity. That is the reason we pivoted. It has been pretty good. The numbers and facts are there on one LinkedIn report that is there for that part. Till now we have not lost any customer base because of the pivot. In fact, given the pandemic, there was no point telling them how to fulfill their bucket list. They are hardly able to go out of the home. So it was more of a customer-driven need, where we felt that the social commerce is something that the same customer base would want. We piloted that, that had some success, and we are seeing some early traction and we have not got detailed reports on it, but we obviously keep on talking to our entrepreneurs. It seems to be profitable right from the beginning.

Deesha: Of all the investee companies that we have, how many companies actually have a monetization plan or a strategy in place like, there are a few companies where we do not know whether they are in seed stage or whether they have the right product market fit, or where are they like, for example, TaxiTop Media, or Leadstart Publishing, they have a monetization strategy in place. How are they faring like? There is very less coverage on investee companies. So I would just like to understand that part?



*Xelpmoc Design and Tech Limited
November 9, 2020*

Sandipan Chattopadhyay: So there are two parts to your question. Firstly, if there is no monetization strategy, we of course, do not start the project. So there is a monetization strategy by default for any of our ventures because we are into the class of ventures which are focused on sectors. Monetization is a must before we start the venture. It cannot be something like we will invest now, we will grab eyeballs and then we will see how to monetize. So all of them start with the monetization policy. That said, they all of course, have to look at the market realities and keep on pivoting. And that is why we insist that there should not be an obstinately fixed plan, it should be dynamic and market-oriented. Now, the second part is the stage of development of a product or the companies. Typically, companies are mostly in two stages. They are either in pre-market stage, wherein they are developing the product and do it and we have some startups in that phase. But, because of stealth, and all those things, we do not like to disclose the details too much. And the second startups, of course, are the ones where they already have good market share, but they are also in continual development to keep on updating themselves to stay relevant and to have more opportunities in the market. So, as a nature of it, most of the startups are always in enhancement, or core development, either of these two stages, none of them are in different phase. And to answer back to your first question, without a solid business plan or a monetization scheme or strategy, we do not even start the project, nor do we invest in them.

Moderator: Thank you. The next question is from Yashesh Ajmera, who is an individual investor. Please go ahead.

Yashesh Ajmera: I just wanted to understand one thing. What is our mode of service like is it on a continuous basis or is it where we provide a platform to a startup on initial basis, we get the equity, and we continue to engage with the startup and make sure that the valuation has grown over a period of time. So I just wanted to understand this simple thing.

Sandipan Chattopadhyay: We have already covered that in some past concalls. I have explained the process, but I'll explain it again, apologizing to others who may be bored by the repetition. The thing is, we work more like a build, operate, transfer, observe kind of a model, right. So, as a fact, when we start up the project for a certain period of time, we surely are the sole developers. But as each of them grow in size and stature and can support their own teams and have critical mass to form teams, we start helping them form the teams right from the senior management onwards. And then in a phase of time, we transit out from active development, but we keep on engaging with them for any development, which is new in nature, or as a challenger to the current development by finding onto that. So our values and all are slightly, you may say, random in that case, depending on need based, but for the core set of startups where we are at the starting point or in product maturity, we are in the core development or complete absorption phase in those parts.

Moderator: Thank you. The next question is from the line of Sandeep from Wipro. Please go ahead.



*Xelpmoc Design and Tech Limited
November 9, 2020*

Sandeep: My first question is like what is the performance of the major or first level companies that you have like, details about like Fortigo and Mihup for example, how they are doing right now and where do you see the growth?

Sandipan Chattopadhyay: I think whatever information we are allowed to give, we give because remember, these are separate companies, we have to adhere to their principles also, but I think Srinu can briefly tell you whatever is publishable.

Srinivas Koora: Yes, whatever is publicly available and whatever that we can do we have already included, but we will not be in a position to disclose more about these portfolio companies. Because those are separate entities, we are also like part of an investor and there are other investors also involved.

Sandipan Chattopadhyay: Whenever a landmark event happens, we do highlight that, we do tell, whatever is publicly available, we try to keep everyone informed on that much. So whatever is publicly available, I can tell you. Mihup has got the Tata Motors contract wherein every Tata Motors car in the passenger car segment, which is shipping, is going with the Mihup, we have bagged some orders from some of the companies, I do not think the names are givable right now, that will depend on them, and also about the fundraised. Fortigo whatever is disclosing in the public, not much more public information that has come. So, if you look at our annual report, the last public known information is already there.

Sandeep: Next question is like I can see there is a good amount of cash buildup from the operations and also like the cash and cash equivalents also quite a bit. So what are the plans with that particular cash that you have in the account right now?

Sandipan Chattopadhyay: We have already told some of our plans, right, you saw the formation of the subsidiary in London, which we will obviously need to invest money in, we have talked of certain investments we have done in this quarter on some of the startups. We have to find our next batch of startups also. So we will be actively tuning on to that part and honing on to those things. So those are investments that will happen. And there are certain plans that we have for which we have signaled it by having the Signal subsidiary set up which we said in the edutainment sector. So as and when we get clarity and sort of distributable information, we will keep you updated first of all. But let me be very clear, we are not here to become your money managers, by holding money and investing in equity, which you would have done better than us or mutual funds. The idea of the company money is to best utilize it by keeping provisions for rainy days. We will adhere to both those principles and make sure we maximize the utilization of funds.

Moderator: Thank you. The next question is from the Mayur Damani who is an individual investor. Please go ahead.

Mayur Damani: And with respect to investments, do we have an option to increase our stake in the evolving businesses as and when it happens in future, for example, in Ideal Insurance means, our



*Xelpmoc Design and Tech Limited
November 9, 2020*

acquisition cost is little less. So as the insurance penetration increases in India, do we have the option to increase our stake at the old acquisition price?

Sandipan Chattopadhyay: So as a prior contract agreement or anything of that sort, we of course do not have anything like that in place. But given our relationship with our startups, where we are involved and interested in, I think that is always an option at every funding round. We have seen that it will be like a drop in the ocean if we try to go with our piddly amount of capital that we can invest into it. That said for whenever there is a promising thing or something we believe in, we have taken an exceptional route. But primarily we will not want to invest money in the raw form into startups, till a certain level of maturity more for Xelpmoc itself. We are very flattered to know that we are being compared as a mini Info Edge. But we want to state clearly that we are Xelpmoc and we want to be known as the company which looked at it in a different way. Our entire involvement is much, much more deeper than just investments. So that is the reason why probably the comparison with Info Edge ends. Our main focus is to make sure that the principle is we believe that when the money is being spent on technology, we have the best value for that amount of money. So instead of giving money to a startup to buy technology, we would rather build the technology for them and give more value for that money. That has been our philosophy from day one, and we want to adhere to that.

Moderator: Thank you. The next question is from Siddhart T, who is an individual investor. Please go ahead.

Siddhart T: From most of the new investments I see you are investing through OCPS or CCPS, and a significant amount of your revenue I think also comes from investments that you have made into other startups. So my question basically is revenue is tied into your investments, are you looking at other revenue streams from other sources? Would you be funding other investments by raising external debt?

Srinivas Koora: First and foremost important thing, why we go ahead with OCPS is like the contracts what we enter with these technology companies for developing technologies for a period of two years or three years. So accordingly, we enter into OCPS so that this can be converted into equity over the period of time as and when we build a technology. So it is a win-win situation for both Xelpmoc and also to a startup. Even if you look at our current revenues, like, I do not say that most of the revenues are from the issuance of shares, but yes, close to about 15% to 20%, would be coming through issuance of shares. But otherwise, the balance revenue what is coming is directly coming as cash revenue from the startups or a couple of corporates.

Sandipan Chattopadhyay: Coming back to your second part of question that, “Would we be raising debt to invest into something on the other?” Well, if the opportunity looks very promising, yes, we may, but that is surely not our preferred method or anticipated strategy, we have the method that we are following now as something which is working out. But that said, when we go into new markets, and we have more ambitions, some amount of investment would be necessary. See, the public face of the company, of course is since 2019, but there have been three years and more existence



*Xelpmoc Design and Tech Limited
November 9, 2020*

before the company went public. And at that point, unknown to most of the public market dominion, we had to invest a lot of money without knowing things will come back or not at all. It is only when it formed into a solid business which was done with a ticker tape did we go public. So when we start a new venture, that capacity and that thought has to be there. So when we start a London operation or tomorrow, we say that we want to set up a Bangladesh operation, or day after tomorrow Africa operation, that risk of new thing will always be there. So, once we go there, we would obviously have risked much more than our current business here, because it is more of a set pattern now. We know some what roughly about the probability of success, that is an unknown. We would still like to limit it to a frugal means. But if we think that the opportunity is big, and the board approves, of course, we can take any steps. So, all options are open. But that is not the preferred route out for us in for future.

Siddhart T: So your major source of revenue that you see is through investment and transaction...?

Sandipan Chattopadhyay: I am sorry, I forgot to answer that question. As we have said that were three avenue routes for us. The startups are, of course, where we develop for them. But that is not a high margin thing at all, that is almost zero margin. Our main thing comes from corporates and other parts or from startups which have gone ahead and done well in life, right. And we do hope that the corporate and services industry post pandemic will again pick up. Just pre-pandemic, we had seen a rise in that because we had put efforts into marketing. But unfortunately, the pandemic struck and our marketing efforts, had to take a beating there. But we do hope from January onwards, things are going to clear up and we will be back on track on that part. Whatever we could market in that time has sustained us for certain time. And despite the pandemic and all, we do see prospects of some corporate contracts here and there coming in, but it is not in the avalanche way that we would want it. So that is surely the second pole or the pillar of revenue that will be there. And in many of the startups, we do have contracts, and we do have understanding wherein or our entire thing, whatever you call it in legal terms that apart from the development at cost and the equity that we hold, we also get a pass through of the revenues earned by that startup. Now, those startups are just seeing the light of day. So that would be the third pillar of revenue, probably, let us say nine months down the line or so.

Moderator: Thank you. The next question is from Hasmukh Gala from Finvest Advisors. Please go ahead.

Hasmukh Gala: This new acquisition that we have announced, the Signal Analytics Private Limited, that is a related party transaction. Now what we will be the activities of that company?

Sandipan Chattopadhyay: The related party transaction is to a level of Rs.20,000 and that is because of the corporate laws where it is easier to form a company through individuals. So there is no regulatory transaction in that sense, it is just a technical regulatory transaction. The fact is we have 100% subsidiary now. And like I said previously, we have set it up because we want to park a little bit of a fulcrum kind of an approach there, by which we are able to go and create a bouquet of services in the



*Xelpmoc Design and Tech Limited
November 9, 2020*

edutainment sector, not the formal education sector, the gaming, the robotic toys, those sort of ventures we do, we will do out of that company.

Hasmukh Gala: There is a similar name company, Signals Analytics based in New York, USA. Do we have a relationship with them?

Sandipan Chattopadhyay: No connections at all. Purely accidental. We did not even know till you told us. The reason for giving 'Signal' was because it is almost like a plaything for the kids, and it is a go, no-go interest, not interested, very interested. So we thought of it that way and we named it this way. The fulcrum will have to be data analytics-based system which does subscription management and stuff and gives impetus to the other companies to know what kind of product would suit this kid the best.

Moderator: Thank you. The next question is from the line of Subrata Sarkar from Mount Intra Finance. Please go ahead.

Subrata Sarkar: Sir, I am tracking your company very recently. Sir, just to understand one thing, like this fair valuation we have done of the investment, so what is the method of that, number one. And second is like how to get an understanding of how much percentage shares you are holding on that particular company or something like that so that we can have understanding like we are extremely transparent about these things?

Sandipan Chattopadhyay: If you go to our annual report, every holding into the last second decimal places given there. There absolutely everything is out in the public domain. You just have to look at the annual report for that part. And I think Srinu has just explained that the fair market valuation is done on the basis of conservative estimate on the last known time of fund insertion. That is the best way to think of it.

Subrata Sarkar: Is it done a third-party?

Srinivas Koora: Yes, it is done by third party based on the discounted cash flow method. And apart from that, what is the holding, etc., we have given complete details in our annual report, including which investors are part of that particular portfolio company.

Moderator: Thank you. The next question is from the line of Ayush Gupta, who is an individual investor. Please go ahead.

Ayush Gupta: And my question is like, in this quarter, we did sales of Rs.3.5 crores. So out of those 3.5 crores sales, can you tell me like how much is contributed by our investee startups, I mean, our portfolio companies where we have invested, and how much percentage of sales has been contributed by the clients, the non-portfolio companies?



- Srinivas Koora:** So basically, the majority of the investment is coming from our own startups. You can assume that approximately 90% to 92% is coming from our own startup entity, or where we have a deeper relationship holding some sort of an investment.
- Ayush Gupta:** Like my second question would be, as said in the last couple of concalls, that we have plans to start in foreign countries like Africa and Southeast Asia, so any update on that?
- Sandipan Chattopadhyay:** The first update was that we gave about London, that is our first port of halt. After that, we will look at other places. We are in talks with some of these other places, but they are in very early stage, nothing to disclose as of now because it is just an ideation stage right now. We have been always thinking that the pandemic will end in another two months, three months but it has been going on. I do not see a clear view inside and more or less from the data that I have in hand and all it seems that January is something we can safely assume we will slowly start trickling back into normal business.
- Moderator:** Thank you. The next question is from the line of Kishan Toshniwal from DKMS & Associates. Please go ahead.
- Kishan Toshniwal:** I have two questions; you have shown the operating margins at 43%. First of all, is it sustainable going forward?
- Sandipan Chattopadhyay:** No sir, we said in the last analyst call, this is not a sustainable EBITDA margin at all.
- Kishan Toshniwal:** But then what you are seeing that it is going to go down, what is the reason you feel that it is not sustainable?
- Sandipan Chattopadhyay:** Due to the pandemic, lot of the costs that are there, which is significant for a small company like us, marketing costs, and rental costs, staff welfare costs, when the office is running. Those things have not been incurred during the quarantine time period. So that adds to our benefit and for us because of our negligible size right now, those are significant numbers.
- Kishan Toshniwal:** And the second question is the revenue that you are showing up Rs. 3.5 crores and then Rs. 3.4 crores, when can we see the next jump into like last year that was Rs 1 crore, that has come to Rs 3.5 crores now, when are we expecting it to move to the next level?
- Sandipan Chattopadhyay:** At this point of time, we expect it to grow but in the jump kind of a scenario, I think we will wait and watch till the whole... because we are not inert to be environment around us. So, I think to give a fair assessment, once we get out of this extraordinary situation we all are in, that will be a fair time to do it. But I personally feel that you will see some hikes but of course not a jump to the level we would have wanted had you asked me this question seven, eight months back when pandemic was not in the scenario. So now we have very less option but to re-strategize. And once the pandemic situation goes out, once we understand what is happening, we will be again looking



*Xelpmoc Design and Tech Limited
November 9, 2020*

at a new fresh set of plans and be able to tell you that. But at the same time jumping and all is not the objective, the objective is to making sure that we have taken right from the day when we went public, we had said there is a five to seven year timeframe. We want to make sure that our end goal of seven years is what we do not get lost in doing pursuits of sudden jumps here and there for the short-term. So the growth is the first objective. And whenever I have a chance between growth which can be slow revenue earner, but through an amazing startup idea that we want to pursue, we would chase that more than lucrative contracts which can give us higher EBITDA and higher margins. So I hope you understand the philosophy with which we will approach the problem, and how we will do it. But despite that, we will have growth. But whether it be a jump or not? That will depend on opportunities we seek.

Kishan Toshniwal: But we are going to maintain this at least?

Sandipan Chattopadhyay: I hope so, yes, sir.

Moderator: Thank you. The next question is from the line of Amar Koradia, who is an individual investor. Please go ahead.

Amar Koradia: Someone on the call compare us to an InfoEdge, and of course, we are little more positive, but the business model, and the portfolio has a lot of similarities to Y Combinator. So on that line, sir, just one single question, do we intend to demerge or separate the two businesses, one would be the enterprise business, the other would be the startup and investment-led business in the future? And the second question, which has partly been answered, but I will still ask if I can get more insights, do we intend to do direct equity investments, like an early stage or an angel investments where there is not much of a technological understanding but as Sandipan sir said, if the unfortunately looks exciting for growth, you would want to go for it, so do we have any such plans?

Sandipan Chattopadhyay: So as I said, there are no straight 'no's to any of these things. We live in a very different world. But there are certain things. I will answer your last question first. The probability of us doing that probably is about 5%. Only if the idea is strikingly very extremely, absolutely exciting. And we do not need to play a role. But still we want to stay invested, we may do it. But the likelihood of that is very less. Coming to your first point in future, whether want to get into that route and all. Of course, but when I say future, I mean three, four years down the line at least. By that time I do not know how the entire finance world or how the entire investment world will change itself. But, of course, if there is an opportunity by which we can do that, we will do that. But for the moment, our focus is completely being able to bet on our own capability in being able to execute, and those are the startups we want to put the maximum bet on. That is the main difference that we want to stay. Now as a differentiator between us and let us say the other aspects that you talked about of be it InfoEdge or Y Combinator, we are actually developing the product, we are doing the entire hard work, we are not just a funder or an advisory body or a kind of a filtration process, we are much, much more than that. And the second aspect is, as we have told differently



*Xelpmoc Design and Tech Limited
November 9, 2020*

is that, because we think of ourselves as the cofounders and all, for one problem area, we work with one entrepreneur set only. That certainly is a very distinguishing factor of Xelpmoc.

Moderator: Thank you. We have one last question. We take the last question from the line of K K Aggarwal, who is an individual investor. Please go ahead.

K K Aggarwal: I have a couple of questions. Like, can you please bifurcate the revenue segment wise? And the second question is what is the direction for the Q3 and Q4? And the third question is any plans for investment in other industries like renewables and any other industries?

Sandipan Chattopadhyay: So I think the first question has already been answered, I will just repeat it, probably you have missed it. So we did say that 92% of our revenues are coming from our startup bouquet itself, and 8% from external sources. From a third and fourth revenue perspective, we obviously want to make sure that the amount of revenue coming from the corporate sector and from other sources increases significantly...when I say significant that this goes to a ratio of 80:20 minimum in the next two quarters or so, we are on it, but at the same time, you are aware of the constraints that we have due to the current COVID situation. But as you know that we are a small company, we do not want to focus marketing dollars on an impossible situation, we would rather wait for the time and put our money to better usage. To your other question on investment in other sectors, of course, we are always looking at crossover sectors and new emerging sectors for doing our part. But more importantly, given the HEAL stack that we work on, I think innovating on that part and making better services is a bigger focus for us than looking at innovative areas which are new and untested for the moment. We may do one or two of them, but the bulk of our focus will still remain on making sure that we stick to our core competence and our focus on the impact.

K K Aggarwal: Any plans for investment in renewable energy sector if you get the opportunity...?

Sandipan Chattopadhyay: Not really, unless we are doing some sort of a software management of that, anything which is in line with our core competence.

K K Aggarwal: Like the ERP system-based or the platform where the...

Sandipan Chattopadhyay: Yes, so we have an ERP product which we would rather try to sell to this industry, then get into the industry itself. When we think of getting into a particular sector, we think that we are part of the solution making and developing process. Anything else we think is peripheral, we will be tackling with our product offerings.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to Mr. Sandipan Chattopadhyay for closing comments.



*Xelpmoc Design and Tech Limited
November 9, 2020*

Sandipan Chattopadhyay: I think from a personal point of view, this has been one of our most understated, but extremely efficient quarters. Despite the incumbent adverse effects and situations and the fact that we took the right strategy calls of not pursuing hard problems and trying to more or less introspect and try to lever is that is there. A lot of thanks to the team, which is not in the development part, but in sourcing of the startups and all for closing some amazing deals, which we think we will see nice things. The ideas that we have got, and that kind of risk averse if you mentioned to some extent, but some sort of an aggressive stance that we have taken in setting up London subsidiary, I think these are sort of indicators as to the fact that the confidence and the kind of overall part that we are seeing in trying to explain ourselves is displayed properly and also not just displayed or not on theoretical but actually in action. In retrospect, I hope that we look back in a year or so this will be probably one of the changeover quarters for Xelpmoc.

Sandipan Chattopadhyay: Thank you, everyone for being here. We appreciate that.

Srinivas Koora: Thank you, everyone.

Moderator: Thank you very much. On behalf of Xelpmoc Design and Tech Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.