



“Xelpmoc Design and Tech Limited  
Q3FY20 Earnings Conference Call”

February 06, 2020



**MANAGEMENT: MR. SANDIPAN CHATTOPADHYAY - MD & CEO,  
XELPMOC DESIGN AND TECH LIMITED  
MR. SRINIVAS KOORA - CFO, XELPMOC DESIGN AND  
TECH LIMITED**

**MODERATOR: MR. DIWAKAR PINGLE - CHRISTENSEN IR**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Xelpmoc Design and Tech Limited Q3 FY2020 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 conference call, you may signal for an operator by pressing “\*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Diwakar Pingle from Christensen IR. Thank you and over to you Mr. Pingle!

**Diwakar Pingle:** Thank you Karuna. Good afternoon everyone and thanks for joining the Q3 FY2020 earnings call for Xelpmoc Design and Tech Limited. Sorry about the slight delay in starting the call we had people waiting on the queue, we have to ensure that people had to get in and hence the delay.

It is a great pleasure to have all of you in this call. Results and investor update have already been mailed to you and is available on the stock exchanges too. 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, today we have the management of the Xelpmoc represented by Sandipan Chattopadhyay, MD & CEO and Srinivas Koora, CFO of Xelpmoc. Srinivas will start the call with a brief overview of the quarter gone past and we will then start the Q&A session.

The safe harbor clause, we would like to remind you that everything that has said in this call that reflects in the outlook for the future or which can be construed as a forward looking statement should to be viewed in conjunction with the risks and uncertainties that we face, these certain uncertainties are included but not limited to what we have mentioned in the prospectus are with SEBI that you can find on our website.

With that said I now hand over the call to Srinivas. Over to you Srini!

**Srinivas Koora:** Good afternoon everyone. Welcome to Xelpmoc’s earnings call for the third quarter of fiscal 2020. We will quickly go through the key financial and operational highlights for the quarter.

Total operating revenue was Rs 21.32 million as compared to Rs 15.11 million during Q2 reflecting an increase of about 41% quarter-on-quarter, EBITDA was Rs (4.01) million and in Q2 we were negative by Rs (13.2) million. Net loss for the quarter was about Rs 1.6 million and in Q2 net loss was approximately Rs 10.95 million.



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By the end of Q3 in total we have served 35 clients and currently the team size including employees and consultant is about 122. The performance for the quarter is in line with our stated ambition of turning breakeven by fourth quarter of this fiscal. The revenues have increased by 41% and this is mainly on account of clients whom we have onboarded in Q1 and Q2 of this fiscal. Our plans of onboarding early stage startups continues in full swing and we have added two new ventures this quarter which are mainly into global trade finance and an automated platforms for the pharmaceutical sector and of these two companies one is from UK and the other one is from US.

Revenue contribution from India market is about 94% and overseas market is around 6%. If you look at the revenue breakup between corporates and startups, pretty much 93% revenue contribution is from startups and 7% is from corporates.

On the portfolio size, as on March 31, 2019 the NAV was about Rs 27.44 Crores and currently it is about Rs 29.22 Crores and the investment cost is about Rs 3 Crores and 33 Lakhs.

Now we shall open the floor for the questions.

**Moderator:** Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Ravi Khaitan, an Individual Investor. Please go ahead.

**Ravi Khaitan:** Just like to understand given the current macroeconomic challenges that we are seeing so are we facing any headwinds and what is the revenue outlook for FY2021?

**Sandipan C:** Headwinds have not been there more than what the industry is facing, so I think it is at par with everyone else. There are headwinds surely at the overall economy prospect is, but at the same time that the whole reason we have also tried to spread our wings and we have seen a tiny bit of 6% coming in from overseas contracts, which we manage to get last quarter and the results are already showing in terms of revenue contribution coming from them and we are actively pursuing such thing, so mitigate the headwinds. See in business these cycles will come and despite that our going on track and staying on track is surely going to be a challenge that the management has to mitigate and face. That said we had expected certainly more things internally, which we could not achieve in the level that we had thought. Hopefully we expect that this kind of a reverse would happen somewhere around the middle of March, April this year itself and we would see some tailwinds coming in from that time onwards.



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**Ravi Khaitan:** Another question that I would like to ask regarding the valuations. So, this entry has to how is this particular valuation for the startups mostly decided is it by the third party expert that you employ or are there any criteria and of course is there any cost linked to getting such valuations?

**Sandipan C:** Well, see the cost falls mostly on the portfolio companies part we do not partake of the cost for doing the valuation, but at the same time our valuations is as per legal norms and in a way from the outside world slightly conservative I will just pass on the phone to Srinu to make sure that he answers the exact technical reason of what this says.

**Diwakar Pingle:** I do not think he is connected yet he is having some trouble with his line. Ravi I think we will just get back to you with exact numbers on the finance.

**Moderator:** Thank you. The next question is from the line of Ritvik Rathore, an Individual Investor. Please go ahead.

**Ritvik Rathore:** Congrats for the good revenue growth number. My question is what is driving this growth and are we able to continue this growth in the coming quarters?

**Sandipan C:** Well we surely hope so and we think we should be able to get better on this part this is purely the minimum common standard that we have set for ourselves. So what has been driving this growth is kind of the harvesting period it is cushioning now, so as Srinu was explaining most of the customers and startups were onboarded in the first and second quarter, we are getting realization of that in the third quarter, which is visible and we talked to that level to some extent where we have some sort of a steady flow, so our growth ambitions in terms of value as well as growth ambitions in terms of financial scrutiny both go hand in hand and it is like a balance between these two. As I had explained several times before that it is a knob that we regulates to make sure that our long-term growth is not compromised by our short time perspective to be kind of at par company in terms of profitability. So we have turned a knob a bit towards monetization and projects, which is where you are seeing the entire growth driving coming from in numbers, but from a subjective basis I think we have done pretty good even on the nonfinancial part in spotting pretty good startups, which seem to be going to the part of being big winners for us in the near future.

**Ritvik Rathore:** So can you put some light on the investment, which we have added this quarter and how many clients you have added this quarter?



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- Srinivas Koora:** Yes, this quarter we have added about two clients one is from US, one is from UK and they are not our portfolio companies more or like it is a lot of a servicing contract.
- Ritvik Rathore:** Can you put some light on the new investments?
- Srinivas Koora:** The new investments what we did, one was we have taken an additional stake in Mihup and Woovly was one more venture where we have invested and Taxitop and there is one TSI and these are the four, five portfolio companies, which we have invested in the previous two quarters.
- Moderator:** Thank you. The next question is from the line of Disha Shah, an Individual Investor. Please go ahead.
- Disha Shah:** Sir can you let me know the name of any competitors we have?
- Srinivas Koora:** Competitors pretty much in India we have not come across, but you have couple of them in US.
- Disha Shah:** Can we have the names?
- Srinivas Koora:** Y Combinator is one such thing where we can find some sort of a similarity between what we are doing and what there in US.
- Disha Shah:** Sir one more question is can you throw some light on the next four, five year strategy of the company going forward?
- Sandipan C:** We will consolidate the startups now and we do see some kind of exits if you may call it or monitory events happening for some of the initial startups because they will be maturing 2 or 4, 5 areas where we expect some returns to start coming in and in another aspects we are looking at the services industries for our skill sets in the overseas market strongly so we expect some tailwinds and some growth from that asset. So overall we are looking at obviously as Srini has said next quarter is, this quarter rather that we are running on now is the previous quarters like that this quarter onwards we want to be operationally profitable onwards and then we want to build on that profit and start looking at more avenues to increase the growth of the revenue and the overall growth of the company on that part, but added to it will be this cocktail of getting some returns from our past investments, which are still sitting on the portfolio I am not really giving any financial part. I would like to highlight that remember that when we do the valuation the methodology and all can be done, it is done at norm with whatever the legal structures are they may be slightly lesser than what the market would give us at point of time so there maybe jumps in some of the



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portfolio aspects at the same time as with startups some of them may not see the full share now the day of light in a way bigger and they may actually wind off. So those are the parts that are there, but our entire profit and growth of the company is kept aside from those vagaries of our investment patterns but more towards the services part of it and the revenue generation part of it. So that part of the growth will be constant anything extra would be top up on that part that is the strategy for growth for the next three four years for us.

**Disha Shah:** Okay fine. Thank you Sir! That is it from my side.

**Moderator:** Thank you. The next question is from the line of Smita Kothari, an Individual Investor. Please go ahead.

**Smita Kothari:** Sir I just wanted to understand that do we see any seasonality impact on our business?

**Sandipan C:** Not really, seasonality well each business may have a seasonal impact each of them individually go through the phases but as we are pretty well spread across several categories and several projects that is not risk we anticipate at least at this stage. As we go for growth we may see seasonal patterns emerging because maybe when you go to services you tend to cluster around a particular service area and if that particular service area or sector has a seasonal element we would obviously be sort of affected by it, but as of now given the diversity and the kind of frequency of each sector it is more or less well mitigated and spread out.

**Smita Kothari:** Second question is what is your employee count and attrition rate?

**Sandipan C:** Our attrition rates are fairly low and employee count that Sriti has mentioned that overall the staff plus contractual employees together we have a headcount of about 122.

**Smita Kothari:** In which quarter do we have wages hike?

**Sandipan C:** Wages hike comes usually in the first quarter of the month reflected in the second quarter.

**Moderator:** Thank you. The next question is from the line of Ravi Khaitan, an Individual Investor. Please go ahead.

**Ravi Khaitan:** Just wanted to understand what are the key criteria that you might have in mind that have you take a call while investing in potential startups, which might be profitable going forward so I want to just understand those criteria that you might be following?



**Sandipan C:** Actually a good question and it is a bit of a strategic question also. So, we had originally predefined sector that we would stick to and then developed our technical capabilities and skill on those sectors specific requirements in terms of team building. As a policy because we sort of co-create with the startups their parts we try to, and we not only try to we ensure that there is a concept of interest that ensures in our choice of future startups. So, when a startup comes to us the first thing we check is that is in our areas of competency and areas of focus firstly. Secondly obviously if there is an existing portfolio company in the same problem space we do not look at it. After this qualifying criteria is met then we look at the typical criteria of how the entrepreneur sets, what are the complementary sits are we able to have the right chemistry with them, are they conducive to our way of working and seeing the value that we bring in because these are all factors do affect the relationship and that is very critical for companies in our kind of space who are co-creating pure idea for those businesses to be. Again, what happens also is there are certain kind of projects which we have started looking at in the second phase onwards wherein we are looking at trading technology together what they handle the marketing, but we also get a part of the revenue flowing through to us. So, there we look at what is the marketability and all and based on all these choices and the bandwidth available to us we choose the best contenders.

**Ravi Khaitan:** So is it fair to assume that there is no particular inclination to any specific sector as such and it is more towards whether business is more scalable?

**Sandipan C:** No, we have inclination towards problem phases I think we have articulated this in our document as well as in the exchange notifications and all and I know for a fact that we did in the rail hearing and all but our team is called HEEAL, which is the first thing which is Health, Education, Environment, Agriculture and Livelihood, these are the areas we focus on and in core technology we look at multilingual, Omni presence and multimodal, multimodal meaning that you use it over the phone, you use it over an application, you use it from a call center you should get the same experience and what we do as a focus area of the solution space is called TIPS - Transaction, Identity, Payment and a little bit of Serendipity, which is a vague thing, which is basically greater sign. These are the areas we stick to and each and every project that you look at satisfies one of these parameters at least in each three segments, mostly in TIPS the whole stack is what we deliver in most of our projects, but at the same time we look for the fact that these products are mostly directly or indirectly targeted towards the next 700 million Indians, which is the unserved part of it and hence has a potential of exponential growth.

**Ravi Khaitan:** Thanks. Thanks a lot.



**Diwakar Pingle:** Before we close just one question from me for Sandipan. Obviously I think when we started this process we did talk about the company turning break even by Q4, so will that happen and question two is do we see this kind of, obviously it is a kind of a tight mix that you have between doing the services and then looking at exit something but we have not seen any exit yet from the portfolio company, what is your opinion. I know it is kind of crystal ball gazing here, but what in your opinion will be a good time to see an exit come out and only Sandipan will add to that. I know it is kind of very hard to answer but I am just thinking how you would see this situation here?

**Sandipan C:** I think I am looking at an average lifespan for the first level industry to get returns is usually between 5 to 7 years in the Indian context, most of our startups obviously the vintage of early 2016 at the earliest and we have kept on adding them. So, like I said before I anticipate the kind of top ups or kind of anticipated these sort of flows to start coming in from the middle of 2021 onwards that is the anticipation that is in a way lift the growth that we are seeing now that is driven by different strategy on that part. I would like to also point out one thing that exit the one way that we monetize from the startups invested it, remember that as we grow, and we keep on engaging with us more and more our revenue possibility and monetizability from them increase at least from a cash flow point of view. The margins are not something we charge very heavily, we try to monetize the steady projects for that part, but that said it does take care of running cost and all those things much, much more handsomely.

**Diwakar Pingle:** Thank you, I think that explains.

**Moderator:** The next question is from the line of Ayush Agarwal, an individual investor. Please go ahead.

**Ayush Agarwal:** Sir you mentioned about two clients that we acquired this quarter right one from the US and one from the UK I would like to understand more about them and what kind of opportunity do we see there?

**Sandipan C:** See as we had specified the sectors one is in trade financing and the specific thing we are doing at some sort of a new kind of technology for letter of credit and UK entity and for the US entity it is more into pharmaceuticals industries specialized anticipations and research focus such so that is the kind of few areas we are looking at, but let me tell you that the management and your company has been busy in looking at new opportunities in other areas of the world given the headwinds we are facing in India as everyone knows and this is a question of that we expect some more flows to come in next two, three quarters coming forward, this was more of unanticipated immediate gains we got we thought the process





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would take at least five, six months for us to get our first project, but luckily on the first way that itself we were able to convert some things and the faith is that if we show good quality work and all we believe that the market is very ready in those parts of the world on the back part. It was a choice of focus, ideologically we were more inclined towards India but then you cannot give it overtly undue time because you also have responsibility you have the shareholder right? so we had to balance these two and hence we have been doing it. These are early fruits of very limited endeavors I think we see good opportunities on that part, and we will keep you updated in the coming quarters of this one.

**Ayush Agarwal:** That is great to hear Sir, one more question on this continuing sir do we see our wallet share increasing from these clients going ahead or is it a one timeframe?

**Sandipan C:** No, usually our engagements have always been, see the wallet share and wallet quantum are different, on a growing base if the wallet share remains constant that also means that each company is growing. So typically, we have seen that the investment or the amount of monetization we are able to do from each partner has significantly increased over time and we think that trend will continue but remember that these also becomes reference points for us to do it. In new markets what we have done in this market is not that relevant as to one successful project. Creating our portfolio in a relevant situation and the environment becomes imperative for future growth there. The countries you are hearing is where we have had immediate success, there are areas that we have already venture in Africa and all while we have not yet been able to formulate any tangible return, but we see green shoots there also hopefully in the coming two, three quarters we will see more about them.

**Ayush Agarwal:** That is fantastic sir. Thank you. That's it from my side.

**Moderator:** Thank you. Ladies and gentlemen this was the last question for today. I now hand the conference over to the management for their closing comments. Over to you Sir!

**Sandipan C:** Thank you everyone for joining us, in case if you have any further queries please do reach out to us thanks.

**Srinivas Koora:** I would like to say that there was a mini event that got happened day before yesterday. We finished our first year on the stock market and I take this opportunity to thank all of you who have given faith to us and we take it as a responsibility to make sure that your faith was not misplaced and we would go to any ends to make sure that we happily surprise you going forward.



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**Moderator:** Thank you very much members of the management. Ladies and gentlemen, with this we conclude today's conference call. Thank you for joining us. You may now disconnect your lines.