



“Xelpmoc Design and Tech Limited Q4 FY-22
Earnings Conference Call”

May 30, 2022



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Moderator: Ladies and gentlemen good day and welcome to the Xelpmoc Design & Tech Limited Q4 FY22 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, 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 EY. Thank you and over to you sir.

Ravi Udeshi: Thank you Faizan. Good evening to all of you. Welcome to the Q4 FY22 earnings conference call of Xelpmoc Design and Tech Limited. We have sent you the press release and the presentation and we have also been uploaded on the website as well as on the stock exchanges. In case anyone does not have a copy of the same please do write to us. To discuss the results and the outlook for the future going forward we have with us today the top management of Xelpmoc represented by Mr. Sandipan Chattopadhyay – Managing Director and CEO, Mr. Srinivas Koora – CFO, Mr. Madhu Poomalil – Group President, Strategic Initiatives and Mr. Srinivas Kollipara – Group President, Startup Ventures.

Before we start the call, I would just like to remind you that the safe harbor clause applies. With that I would now like to handover the call to Mr. Srinivas Koora. Over to you sir.

Srinivas Koora: Thank you Ravi. Good evening, everyone. Welcome to Xelpmoc’s Earning Call for Q4 and FY22. I hope you and your family are doing well. I am pleased to inform that we have maintained our business momentum while focusing on sustainability of operations. We continue to move ahead without execution plan which is centered on identifying the target sector that correspond with our key markets.

Operating revenue for the quarter was INR 18.6 million as compared to INR 35.4 million in Q4 FY21 and INR 18.3 million in Q3 FY22. We saw a renewed interest from our clients which lead to a sequential revenue increase of 1.4%. Operating EBITDA adjusted ESOP for the quarter was INR (- 44.2) million as compared to INR (+5.5) million in Q4 FY21 and INR (-12.2) million in Q3 of FY22. I would like to give a context to the said EBITDA loss. We have seen a demand for onboarding manpower talented especially in new technological skills had increased drastically across the IT sector resulting in increase in manpower cost. In some cases, we are seen by 2x to 3x to cost. Further there was also a provision for bad and doubtful debts irrespective of certain receivables. This outstanding is now fully provided for. Excluding the above mentioned we are in line with our Q3 FY22 EBITDA. The net loss for the quarter was INR 49.5 million, partially due to INR 14.9 million of ESOP expenditure.

This is in comparison to a net loss of INR 29.9 million in Q3 FY22 and net loss of INR 1.5 million in Q4 FY21. For the full year FY22 our operating revenue was INR 80.5 million as compared to INR 140.5 million in FY21.

Regarding the change in revenue as stated in our previous call, Xelpmoc is largely a startup focused rather than the service contract base. We have certain service contracts which got



completed during the first half of the year leading to the set revenue changes. However, our revenue momentum has picked up in the second half and we expect in moment to continue. Operating EBITDA adjusted for ESOP was INR (-63.9) million compared to a INR (+ 46.0) million for the reasons discussed. The net loss for the year was INR 128.3 million compared to a profit of INR 40.8 million in FY21, partially on account of increased ESOP expenses of INR 82.4 million. Our team size is 91 including employees, interns, consultants as compared to 77 in Q3 FY22. Till date we have served 53 clients and our sustained interactions with client responding for good performance.

A fair value of our investment in portfolio companies stood at approximately INR 623.6 million as on 31st March, 2022 as compared to INR 470.6 million on 31st March, 2021. Our portfolio companies did well by embracing the new opportunities.

To start with 4TiGo: 4TiGo ARR's increased rapidly on the sequential quarter basis and crossed INR 100 crores in Q4 despite the third COVID wave. Further SaaS solution for enterprise class transport management system trials commenced in Q4 and will be implemented in the near future. Based on above, it expects that the first half of FY23 we will experience an uptick over H1 FY22 volumes.

Mihup: Mihup's AVA auto SDK platform has been upgraded with new interactive features and added multiple digital languages as well. This has led to a 20X growth in revenue from the said SDK. Its next generation VIA platform is being launched which has greater functionalities in terms of user insight, performance and ease of use. Mihup recorded a 3X growth in revenue in FY22 and its FY23 revenue is expected to increase over FY22 levels.

Woovly: Woovly enables its 7.2 million users to shop socially with the help of 28,000 content creators. Around 13,000 influencers create short video contents resulting into 298 million video views per month. It has clocked a GMV ARR of about US\$9 million which has doubled in Q4 FY22 on a sequential quarter-on-quarter basis. A substantial portion of this has translated into revenue and is seeing good traction in the coming quarters.

TSIM, the other portfolio company: TSIM, i.e. The Star In Me is a global career advance platform for women and a diversity partner for organizations. It has increased traction by signing large global companies as its clients. TSIM saw a significant revenue momentum in FY22 which is continuing in FY23 as well.

Pencil is a brand of One Point Six Technology Private Limited. Pencil, helps writers become author and sell their books as an e-book and the paperback globally via its technology platform. Its technology enables writers to write better using AI and ML, get their stories quote and sell to OTT platforms and studios. It has seen 30,000 sign-ups on his platform. Its monthly user base has seen 20% user growth on a month-on-month basis over the past year and now it has a community of about 22,000 writers and readers. This platform has enabled publishing of 1,000



books within the year of its launch. Further 10,000 pieces of content has already been published in 65+ languages across 20+ countries and this traction is expected to continue in future.

Coming to our subsidiaries Signal Analytics Private Limited, a majority owned subsidiary of the company has invested in SoulTrax Studios Private Limited which is engaged in content creation. Signal now holds 54.75 in SoulTrax. Both the businesses are expected to work together and develop synergies. This is a significant event post the balance sheet date. Our board has approved investment into Accelerated Learning Edutech Private Limited, also known SOAL, School Of Accelerated Learning, to an extent of 14% on a fully diluted basis. 3% is issued against as a cash consideration and the balance is for advisory services. SOAL is an upscaling startup that designs and runs cohort-based courses which helps students kickstart their career in engineering and design irrespective of the background. My colleague Srinivas Kollipara can brief you about the startup during Q&A session.

Now let me come to outlook for the fiscal 2022. We see this year promising growth in our portfolio companies given that they're focusing on unaddressed areas of the economy. We expect our investments including in 4TiGo, Mihup, Woovly, Signal, and Pencil to expand their access and reach and enter the next generation of growth. Our dual focus on our startup as well as our services segment make us fairly confident of EBITDA level profitability in FY23.

With this now I request Ravi to open the floor for question and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Abhishek Anand, Individual Investor.

Abhishek Anand: My first question is on the UK subsidiary. So, when we received in the manner which we had expected were to be received in the UK what was the first impression is that by the ecosystem on our incorporation in the UK? Could you please throw some light on this one first? And this at least specifically with the UK subsidiary is planning according to our plans?

Sandipan Chattopadhyay: So, Madhu why don't you take this question and explain the UK plans to him?

Madhu Poomalil: Sure Sandy. The plans for UK are progressing as per plan. We have started the NTP there. We got done with the incorporation and we took some time to get the bank accounts and all of them in place both on account of the COVID and the increased KYC processes. But suffice to say that all of that is behind us and now the entity is fully operational. We are in the process of hiring a senior person for the business development. I think our plans for the next couple of quarters is very much in place.

Abhishek Anand: Does it mean that we haven't yet started to take in some orders, right?

Madhu Poomalil: Yes. We are poised to take in more orders and not just the orders but we will be also trying to rather we'll be replicating what we've been doing in India on the venture side. We have initiated



dialogue with startup entities or groups of accelerators at the startup ecosystem in UK. Once we have our business development team in place, I think we'll be poised for the taking on clients both on the services side and also looking at ventures which essentially the portfolio for us.

Abhishek Anand: From when are we expecting to see some traction on these ones? From when are we starting to execute any work based from the UK subsidiary?

Sandipan Chattopadhyay: 2-3 UK projects are already underway. Go on Madhu, sorry I just wanted to mention that. I said that 2-3 UK projects are already underway. We have started it by remotely doing it but from the UK entity direct approach wise we have not started, we're waiting for the right structure to come in which Madhu as you said, once that business development guy whom we are identifying, he comes and he owns up then we want to hand it over to him. So, there is no clumsiness in between.

Abhishek Anand: Thanks for that explanation. My second question is on Signal Analytics. You did mention that you did comment on this one in the past, but in terms of the elements of the value chain of Edtech so which elements of these value chain are we addressing through Signal Analytics. I'm sure that we're not trying to build up another BYJU'S, right?

Sandipan Chattopadhyay: No, we had clearly said that this is for peripheral education. You can go through the older con-calls and through the concept papers we have put in. But briefly to summarize again for you, broadly we are looking at increasing content by modernizing the content itself to use current technology elements instead of trying to insert a good-looking video and say this is technology, instead of that using DHTML videos, using a game engine-based videos those are the kinds of things we are trying to explore. That's from the content exploration part of it. Then then we are trying to do something called a subscription business which is a phygital element where tactile and technology work at a pace that is a company we are looking for. We have some ideas; we have shortlisted some startups but the progression is first we'll do the content company then we will look at the subscription company and further on to two other elements of gaming and smart toys.

Abhishek Anand: One last thing on the products, so are we in the stage to also build up a revenue stream using our products and if yes you have...?

Sandipan Chattopadhyay: As I had said before, we are looking at focusing on the products in third quarter of this year. So that would be on track. We had that from first quarter of this year we would be focusing on making sure that our services part is set and running like a well-oiled machine. We have done that. We are on track for making it more and more stable, focusing on that we have distributed work and we will have that focus onto the products from third quarter.

Abhishek Anand: And one last question on the products. Are we trying to bank on the same products that we have for instance we can expand or are we going to come from Q3 onwards with a different set of products?



Sandipan Chattopadhyay: It may be a mixture of both. Please remember that these are components sets. We are not trying to make sure that it's like an off the shelf product for everyone. There could be a product like that. But right now, these are more component stacks which are more developer friendly or actually pretty appropriate for this no-code era that is coming. I think we are going to hit it at the right time.

Abhishek Anand: I was just wondering from an outsider point of view, for instance this tech stack which is predominantly you did mention in your website that it's for deployment during elections and etc. So, I was wondering why wouldn't be able to deploy this tech stack so far there has been number of elections which have already...

Sandipan Chattopadhyay: We have taken projects analysis of elections ourselves and in that we have used this. That's how these products have come into being.

Abhishek Anand: But you can get revenue from those?

Sandipan Chattopadhyay: We are not trying to sell it as a product itself because that's a different journey. Right now, we are saying that this is a feature, if they're developers so eager and keen and that's one-off cases mostly it's our own internal usage as of now.

Moderator: The next question is from the line of Ishit Desai, Individual Investor.

Ishit Desai: Mr. Sandipan I think you mentioned in the last call that some of the portfolio companies, startup portfolio companies have reached to that level of 6-7 years of holding where we probably look to start exploring exits in one of them, so any progress on any of the portfolio companies, any initiations we have done on that part?

Sandipan Chattopadhyay: Do you think this is the right time to do it now. I mean everything has gone haywire, so I guess again as I said we had to play it by the ear. Things change and that's exactly why we always refuse to put a line in the sand on time because that's exactly the kind of dynamic nature that happens. But that's the reason we are going to have core progress and what really matters for the setups and for us which is revenue and how much we have stuck to plan. We've got some money, we changed plans dynamically. We are back on track. That's what matters, how we're able to leverage resources and environmental opportunities the best way we can.

Ishit Desai: An extension on that question, I mean since you mentioned not the best time to look at exits and all. What's the impact on our portfolio companies I mean from the investment activity of course is right. It's very much public, a lot of buzz around that. If you could really bifurcate into....

Sandipan Chattopadhyay: Fortunately for us none of our startups are the burnt types, right? So, I don't think we are that badly affected, when a whole forest is on fire not only the big trees but even the bush gets a bit of the flame or the neighborhood also gets a bit of the burn from just the heat. So that will happen a bit. The general environment and sentiment will be down and maybe there'll be a resurgence



of interest in these areas of funding. That could be the silver lining for this part. We don't know yet. So right now, people are in shock.

Ishit Desai: If you were to kind of bifurcate into three categories, so one is like companies which are looking for series B and above, actually we have probably 4TiGo.

Sandipan Chattopadhyay: It's not that simple. It's also the category they are in, correct. For example, logistics and all will suddenly get renewed interest. Suddenly we will go up from SaaS and start saying okay logistics looks interesting. Deep tech will certainly be interesting right? But at the same time social tech may itself become taboo. Things can happen. So, we have to judge by that. It's not about Series A or Series B.

Ishit Desai: Largely if you look at, there's no substantial impact on our portfolio company specifically in terms of activities, or interests shown by investors.

Sandipan Chattopadhyay: We have talked to each of the entrepreneurs post this debacle happening. I think they are well stashed for the moment firstly and secondly the businesses are doing good as long as that's happening, I think in any time when you are doing good business money is never a problem. Valuations maybe not up to your expectations and how the market thinks widely and all. And I'm never a person for that. It's about value and it's always about fairness.

Ishit Desai: So, couple of new startups coming to our portfolio which are kind of about to hit the product side of it. One is Catalyst another is First Sense. If you could throw some light on how that traction shaping up on that.

Sandipan Chattopadhyay: Pretty good, Catalyst actually has signed up few of its first customers already. So pretty good progress. We didn't expect customer onboarding so fast but it's happening. The product had a latent need and we are discovering that we are just trying to see instead of going right away we are probably saying, we are investing something and maybe there's a bigger market. So, we are replanning and restrategizing as to how to approach the market best. I think what we had planned was from July which somehow is good for the pharma industry. Some odd reason he wants to go post middle of July with the full haul. That's on the one front. First Sense, we are doing a lot of pilots which I think if you follow a lot of LinkedIn requirements, I also sort of like it or something and there on posts you would be aware. So, we are putting it in 2-3 colleges. We have tried it in some hospitals in 2-3 different use cases. There are some things in the pipeline which I can't discuss right now which essentially will give us some interesting kind of performance oriented Proof of Concepts (POCs) where if the POCs successful it means it's a contract. We are working on some of those frameworks.

Ishit Desai: And the last one from the Signal analytics side. You mentioned about the four pillars around which you are planning to work. Any timelines in terms of how we are going to roll-out, what phase are we looking at?



Sandipan Chattopadhyay: I think everything together. We have an overall timeline but we will wait for the right entrepreneur. That's the first requirement but overall, we are looking at it dynamically. I think in a 0-to-21-month timeframe we have to make sure all these four are working in some way or the other. It may be that one of them is just in a nascent stage and someone is at maturity usage but content is good, we are always very clear that content has to be the first piece because that sets your strategy. That sets your creative part of it very clearly. That is how harbinger of everything would be. The second part was content is hopefully a very early cashcow. We should be able to monetize content very fast from since we have started.

Ishit Desai: In your acquisition of SoulTrax, you had mentioned that the company, doesn't have any turnover. When I was looking at referring their website, they already have a production house which is catering to certain clients. So is that that the promoter

Sandipan Chattopadhyay: That's the studios, so that they are closing down. They were a very good production house but they didn't have the creative juice. Right? We are bringing that in because we needed execution people. We didn't have experience in that part. We didn't know how to operate in editing machine or do editing properly and all. These guys have that skill and they have immense creative talent. Once you give them the story, they are superb but they never track the other part. We are giving some time for that part. But as I said I do believe we will hit revenue very fast in this.

Ishit Desai: So, the money we are putting is for the production studios as well as these entrepreneurs, right?

Sandipan Chattopadhyay: It's a value of the company.

Srinivas Koora: So basically, just to address that SoulTrax Studios Private Limited is the entity where we are investing. Basically, this company was incorporated by the same founders like SoulTrax Productions and post incorporation of this entity all the creative work which has been developed in SoulTrax production has bought back by this entity where all the new creatives and the founders are going to be in this SoulTrax Studios Private Limited into Signal .

Moderator: The next question is from the line of Yashesh, Individual Investor.

Yashesh: You have mentioned that due to resignation of one of the directors, we have decided to call off one of the investment proposals. My question is that what was the rationale for investment in the first place? As I can see about our latest acquisition like Soultrax, so even Mr. Srinivas Kollipara is one of the founders as well. So do we have the similar risk here as well?

Srinivas Koora: Just to answer that, the one of the entities which is Singapore entity where we are trying to take substantial stake and where Suman Bose was also one of the majority shareholders. We were planning to build the innovation center for Singapore etc. but now since Suman has taken up a job and he is also working in the IT sector, there's a conflict of interest. That's the reason why we have called off that investment, yes. As far as the Soultrax is concerned in Soultrax, Srinivas



Kollipara is one of the individual investors holding a very minority share. So we don't have risk in this.

Yashesh: As I can see the expected completion date is mentioned as March 2025. I would like to know why would it take so long?

Srinivas Koora: Basically, in case if you look at of the stake which Xelpmoc picks up, majority 11% is coming for the advisory. Advisory is close to about 18 to 24 months. Over the period of time this should be issued to Xelpmoc. So out of 14% we are investing 3% in form of cash and 3% would be issued upfront and the balance will be issued over the nine installments.

Sandipan Chattopadhyay: Just to be clear, the product will be not finished but it will keep on getting finished because it's already a live product. They're already customers, we'll keep on improving it. This is the engagement period for what we are calling the first phase. And that's what we have demarcated it. It's not like we're taking the product off the market and we'll come back again on 2025.

Moderator: We'll move on to the next question from the line of Nilang Govan, Individual Investor.

Nilang Govan: I have a question on the SAPL, on November we declared that we diluted about close to (+8%) but still in the...

Srinivas Koora: Can you just repeat what you said, I missed what the topic you were saying.

Nilang Govan: In the SAPL we said we have diluted the stake but in the latest report it is coming out as a wholly owned subsidiary.

Srinivas Koora: When we say wholly owned subsidiary like we have diluted about 8%-9% but still we hold majority 91%. So, it was mentioned in that context.

Nilang Govan: That is fine. But even if that is the case, the proceeds of that dilution is not reflecting in the finance. Can you please kindly update? It's supposed to be around...

Srinivas Koora: Whatever amount that we have received is the capital nature. So, it's appearing in the share capital and on the reserves and surplus of the Signal balance sheet.

Sandipan Chattopadhyay: Just to explain to you, if you're expecting that valuation to reflect on to Xelpmoc in the portfolio that's not going to happen. Subsidiaries of a different nature where whatever money or whatever investment we have put in our valuation stays locked at that till it has some other part and always say that it's not a subsidiary and we are having it as an equity onto that part.

Srinivas Koora: So fair value of assets we are reporting only to the entities which is not an associate entity or which is not a subsidiary of Xelpmoc.

Sandipan Chattopadhyay: So, to get the right thing you have to actually...



- Srinivas Koora:** Its associate entity and subsidiary is always reported a cost and it comes in consolidation.
- Sandipan Chattopadhyay:** If you have to calculate the overall wealth of Xelpmoc then you have to actually go there and do the math for each of the subsidiaries and then add it back.
- Nilang Govan:** If that is the case it should have been reflected in the investor presentation that the current value of the SAPL should have been like close to 50 crores, right? That we don't see it.
- Srinivas Koora:** What we are saying is as per the accounting standards, we are reporting our associate and subsidiary investment tech costs. That is the reason why in case.
- Sandipan Chattopadhyay:** What he is saying is that we can have one line saying that current valuation of this subsidiary is so and so, maybe that's a point.
- Nilang Govan:** Mr. Sandipan the point is that there is a current valuation but it was still showing it as the old numbers. It's not reflecting the new numbers.
- Sandipan Chattopadhyay:** In the Xelp balance sheet it cannot reflect....
- Srinivas Koora:** Basically, in the value of portfolio slide which is a slide #22 in the investor deck, Signal Analytics Private Limited I'm showing a cost of investment as 10 lakhs and fair value as on 31st March, 22 as Ind-AS. The reason for this reflection is we are reporting subsidiaries at the cost only, we are not showing their fair market value.
- Sandipan Chattopadhyay:** Rather we cannot, that's the accounting law.
- Nilang Govan:** One appreciation goes to the brand name and the company name that has got incorporated but there is a one more thing which many of the investors have been asking for the last close to 9 months or more than a year that is in terms from thousands to a lakh or a crore. Why do we have some kind of a resistance changing with the numbering format or is it like we don't want to?
- Srinivas Koora:** No, it's not the question of resistance. Even when we spoke to auditors etc., they were more comfortable in reporting numbers in this particular format.
- Nilang Govan:** But the investors are not okay, right? Since the revenue numbers and the costs are high or are on the lower side....
- Sandipan Chattopadhyay:** Can you repeat your question once again please?
- Nilang Govan:** I have a basic question. Are we trying to satisfy that investor's request or we here to satisfy the auditor's request?
- Srinivas Koora:** It is the best practice as suggested by the financial consultants we are going ahead with that.



- Nilang Govan:** I don't think so. If that is the case...
- Srinivas Koora:** We will take it up with them and we will relook at it once again.
- Nilang Govan:** No, this topic was there from last one year, close to about a year but we are sticking onto that. Of course, I was holding on this question for a last couple of months. I was holding it just because maybe in between of the year you don't want to change it, so that's the reason I was holding on to it. But while I see this is repeating even after the year end closure, I suppose to ask this question on a little more harsher way. If that is the case then they don't want to change at all then it has to be told to the investor they don't want to change it. That's how we operate. If you are interested you stay otherwise you get out.
- Srinivas Koora:** We heard you, we got your point. We will relook at it once again.
- Moderator:** We'll take the next question from the line of Kunal Dinesh Bihani, Individual Investor.
- Kunal Dinesh Bihani:** I have questions around the business and the financial side. I'll go with the business part first. I'm joining the con-call after I think two-three quarters. So, pardon if I missed something over there. Just wanted to check on the LMS platform. Is there a program in terms of the number of schools we are approaching or have we changed the strategy around that? That's question one.
- Sandipan Chattopadhyay:** No, that project has not really borne fruit.
- Kunal Dinesh Bihani:** Fair enough. So, except that one change...
- Sandipan Chattopadhyay:** The platform is there but at this point of time schools are completely in a tizzy there, no strategy. Till they settle down, it's not worth because too many changes are coming and too frequently. It was not worth it; the product was going haywire. So decided to take a break to let the school settle down. Once they have done, then we'll go back again and stabilized situation, then we'll make a stable product.
- Kunal Dinesh Bihani:** My second question is around what is the share of the revenue which we get from our startup ecosystem companies where we take equity or we support on a hybrid model versus the direct client which pay us for the work we do without any equity and all. If you can elaborate on that?
- Srinivas Koora:** Right now, whatever revenues that we are receiving is largely there is no revenue share. It's more an upfront for whatever technology that we are building.
- Kunal Dinesh Bihani:** No but how about the percentage between our portfolio companies and outside world?
- Srinivas Koora:** No, portfolio companies and outside world would be the ratio of about 40:60.
- Kunal Dinesh Bihani:** 40 in the outside world, right?



Sandipan Chattopadhyay: No, 60 being the outside world. Please remember the portfolio world is done at a very subsidized cost. So, maybe 80% effort is going there but your revenue will still be 40% up.

Kunal Dinesh Bihani: There is a lot of chatter around startup valuations, funding being dried up and all and I think a couple of questions have been asked around it who just one thing which I am trying to understand. Whatever startups which we are looking at as part of the larger ecosystem to work with or to invest in. Do we have a view that we should wait out for some time to see if we can get a better valuation to invest that? Or are we just going ahead with a plan depending on our progress?

Sandipan Chattopadhyay: We are going ahead, whenever we get a good entrepreneur, whenever we get a business, we believe in; we will invest at what we consider fair value. We have never believed in this high-profile valuation and all. Ours are not rockets and the spitfires. We have been stable, slow growing startups. We look at the 7–8-year horizon. I don't think anything in our strategy changes except for of course we have to be careful because the environment is pretty volatile and whatever collateral damage can happen, we have to protect ourselves from that. But fundamentally our ideologies, our businesses, I don't think fundamentally anything has changed as because of this over-hyped thing breaking up on its own.

Kunal Dinesh Bihani: The reason I'm asking is a lot of the fair value whatever we put in our presentations or on our books, I don't know how the accounting works. Somewhere down the line a lot of those companies are part of the ecosystem, right? We might've invested at a certain valuation. All I'm trying to understand is we also have portfolio companies where the fair value on accounting standard has been bumped up. Whether we agree or not we are still part of the same ecosystem because as someone said 80% of our efforts goes towards those companies even if we realize half the revenue. That is my rationale of asking because end of the day we....

Sandipan Chattopadhyay: No, your rationale is perfect. Please go ahead.

Kunal Dinesh Bihani: So that is the reason my question for asking is valuations will matter because the valuation which are put right now, I am sure another quarter if I don't know nobody can predict if the carnage goes on depending on whatever our fair value will also get bumped down? So, when we look at new startups to deal with, is there a sense in terms of I'm not saying to hold out for a quarter and all but just trying to see whether it will make sense financially? Technologically I am not questioning on the financial side to get a better deal. That's all?

Sandipan Chattopadhyay: Let me point out fundamental beliefs. You saw a burnout in the stock market of certain types of startups which got listed, which went value and then they completely went down. Stock markets, everyone got affected, fair enough. But even within that a delivery IPO still went and on the first day give a positive reading to come. So certain sectors, certain businesses, certain things which are making profit are probably going to get on it and we believe that we have chosen those sort of non-glamorous, pretty sensible businesses and hence we have a confidence. Now coming to your point of valuations and fair market valuation. Yes, there are bump ups but that's actually



because some that we are, we never bumped up on our own. We in fact bumped down when we believe that despite the valuation, they have got business is not doing well. We have gone ahead and bumped down so you will see bumped down also. But bumps down have completely due to us, trust me. But the bumps ups have always due to an external financial event, not due to us. It has always been happening over the last 7 years. Now it is coming into the limelight and that'll continue to happen. Some of the startups may suffer though I think very few of our startups are susceptible to this carnage but then yes as you said it can drag to other sectors also just for the heck of it. No one can predict, I also can't but again the probability seems to lower that's all.

Kunal Dinesh Bihani: The point taken. Just last couple of questions. We see a steady sale by promoters' quarter-on-quarter basis. Are we expecting this trend to continue because I'm just having a look?

Sandipan Chattopadhyay: Steady...what did you say steady sale by promoters?

Srinivas Koora: We have only one...

Kunal Dinesh Bihani: No so let me just...

Sandipan Chattopadhyay: Promoters sold its stake itself 2 years back that also one promoter because of a personal need.

Kunal Dinesh Bihani: No, fair enough. I am not questioning the nature. I'm just asking in I think probably if I look for COVID lows of Septembers from high of 58.17 we are at 54.25 at a promoter entity for whatever reason I'm just saying....

Sandipan Chattopadhyay: That's because we diluted the whole company to get in about Rs. 27 crores of 5% dilution.

Srinivas Koora: There were two things which have happened. One is we have raised preferential; we have issued preferential allotment and also there was ESOPs which were exercised every quarter-on-quarter basis. So as and when there is a grant which has been given and the employee exercises, additional shares are issued so automatically promoter folding will come down.

Kunal Dinesh Bihani: Thank you for correcting me for that. One last question. We have a revenue which is down 40%-45% on a YOY basis. So, if I just look at the year-end, we have a revenue of Rs. 9.3 Cr correct me if I'm reading it right? The figure is in....

Sandipan Chattopadhyay: Right.

Kunal Dinesh Bihani: Correct. On this base of 9.3 we have a bad debt plus doubtful debt of around Rs. 3.6 Cr. That figure looks relatively high to me given the base I mean on a Rs. 9 to 10 Cr base we have a bad debt plus doubtful debt which I'm assuming is all part of the same revenue of around Rs. 3.6 Cr. That's around 30% of the revenues. Am I looking at this right?



Srinivas Koora: Basically, just to highlight on this doubtful debt like majority is coming from one entity where we have done a services contract and it is not that's just coming from this financial year, certain services which are being rendered in 2021. And in case if anybody who does not play within a period of nine-months even though we believe that still we can revert as a good practice we go and provide for doubtful debts. On account of that you are seeing that this bump up in our doubtful debts.

Kunal Dinesh Bihani: That you are saying is for the Rs. 2.1 Cr. The doubtful debt?

Srinivas Koora: Yes, and there was also one intangible which where we were created and those intangibles were developed before COVID, especially for a couple of restaurants startups but we are seeing during this pandemic what happened to the complete restaurant business, as a business, as taken a different model altogether. So, even those intangibles which we are work in progress even we have written-off those intangibles as well.

Kunal Dinesh Bihani: Just one last thing on the doubtful debt do you think there is a chance of recovery or settling it midway during this current financial year? Or will this be spilling over?

Srinivas Koora: No, absolutely there are fair chances of recovery but what I said as a good practice, we started providing in case if it is not received even though we had a meetings in a day last in last one week or two weeks but still we go ahead and provide for doubtful debts. As and when recovered we will convert that.

Moderator: The next question is from the line of Rudresh Kalyani, Individual Investor.

Rudresh Kalyani: For one of the previous questions, we said that we will be investing in tranches in nine installments until 2025. So, do we have milestone check for that or how is that? When will you invest to?

Srinivas Koora: No, it is not a milestone check. As I said that we are picking up 14% CCPS in the sole entity out of that 6% would be allotted upfront on picking up the stake or within about 15 to 20 days of signing up as the SHA. The rest balance 8% would be issued over the period of nine installments and those are on a quarterly basis. Those are more on a timeline basis not on a milestone basis.

Rudresh Kalyani: My next question is that you said that in the previous con-calls you said that we will be maintaining revenue from the service sector but now we have said that we'll be able to start generating revenue from the third quarter. What is the reason for that delay?

Sandipan Chattopadhyay: I said we will focus on the products from third quarter. The revenue and from services is on from first quarter. I think you misunderstood.

Rudresh Kalyani: You meant that from the first quarter we will see revenue generating from the service sector as well?



Sandipan Chattopadhyay: Yes, significantly.

Rudresh Kalyani: My next question is since we talked about the exit as well. What is the management plan once we get the exit amount? Are we going to buy back the shares or doll out dividend or...?

Sandipan Chattopadhyay: No there is no any buyback or anything we are going to reinvest that back into more creative stuff.

Srinivas Koora: We'll take it up with the board, we will debate, discuss with the board and whatever board approves we will follow accordingly. But yes, as a management we will put forward our suggestions as well. Whatever board approves we will go as per that.

Moderator: The next question is from the line of Ashish Malani, an Individual Investor.

Ashish Malani: My question is more on the lines of how we are looking to become at least self-sufficient in terms of a financial basis where at least even if we are not profitable like the services part is more like oxygen that we need to live but like we don't live for the oxygen. We are more looking to be partnering with other companies. What is the timeline do you see where you think that we will be at a place where at least the company will be in a state where it is not going in losses?

Madhu Poomalil: Not only losses. We plan to turn around that and substitution within this financial year itself. I know it may sound like a tall claim but I think we will do it and post that we be wanting to see one tranche of the company moving like a normal software services company with a natural growth trajectory.

Ashish Malani: My second question is more around what you had mentioned earlier that none of our companies are doing a lot of cash burn but from what I understand, a couple of companies particularly Woovly India I think had plans to raise money around mid-time this year which right now, is a bad time for investments. But how confident are you about your investment in the company and are you confident that they have enough burn for the runway for at least next 6 months and can survive this next 6 to 12 months even if in case?

Madhu Poomalil: Yes, I think they can and secondly the investors and all we don't think some of the investors will back down if there is a bridge down needed in between or something.

Moderator: The next question is from the line of Ishit Desai, Individual Investor.

Ishit Desai: My follow-up question is on a School of Accelerated Learning, the investments which have made. Just back of the envelop calculation the pre-money valuation both cash component as well as services put together works out to be roughly Rs. 36 crores. So, is that understanding, correct?

Srinivas Koora: Yes, your understanding is right on the valuation.



- Ishit Desai:** What specific value add is it going come on Xelpmoc side given that it's already a running product? It's a substantial chunk of advisory equity which is being put in there which the company which has already raised money from some of the investors. What value add are we going to bring to this company specifically any discussions around that?
- Srinivas Kollipara:** One of the things that we've realized that as you've probably seen I was a very early investor into this company when they literally had just started out, very-very small. It was more of an encouragement but essentially, it's this. Yes, they've raised money and yes, they've got a product that's working well but the strength of soul especially with the team that we have here is that it's not only technology. It's also the broad understanding of what's happening in the world and how can we expand that business model? They're looking to us not only to build out much deeper technologies using the strengths that we have today, it's also about how do we get them new customers, how do we define new revenue streams that are potentially out there? There are many things that we believe we will add in value to them. They're very clear that we add that value also.
- Ishit Desai:** Any specific update on Slate and PENCIL because I see both Slate and our stake is diluted a bit and PENCIL, we have added some money. Are these part of fresh rounds or have been invested independently to this companies?
- Srinivas Koora:** Basically, to answer your question if you look at PENCIL, PENCIL also like as and when we enter into any contract with the startups the equity is allotted to us over the period of the contract. Now in case of PENCIL the contract was for period of 3 years. Every quarter they do allot some equity. That's the reason why you see an increase in a stake in as far as PENCIL is concerned as far as Slate is concerned, Slate we have participated in one round of investment maybe last year somewhere in the month of June-July.
- Ishit Desai:** But that was added by us only or it was a larger round we are part of?
- Srinivas Koora:** It was a part of a round where everybody invested on a proportionate basis. It was sort of a bridge round.
- Ishit Desai:** I'm done with my questions. Just lastly suggestion. In our presentation on portfolio companies, mainly we see the same set of content in terms of what companies are doing. If there is a possibility of adding any metrics around it like which Mr. Srini mentioned during the opening of the call like doing 4Tigo doing a INR 100 crores ARR or Mihup recording 3x revenue growth so is there any possibility of having either a separate presentation on portfolio companies or maybe?
- Srinivas Koora:** Basically, what we can do is we can check with the portfolio companies, whichever portfolio companies comfortable maybe we can keep on updating their decks on our website itself so that they can be highlighted.



Ishit Desai: Correct. Because most of these companies actually share, would be sharing quarterly or monthly updates with most of their investors and I'm sure you would also be a part of it. So, whatever on that....

Sandipan Chattopadhyay: We are a part of it but also want to respect their stealth. Sometimes they're too close to something they don't want that to be known the whole market. We essentially do a little bit of a communication filtering onto that part.

Ishit Desai: I understand. Whatever on best there could be, whatever is possible if it can be communicated to us.

Sandipan Chattopadhyay: That's what Srini said, whatever they agree to we will put it up.

Moderator: The next question is from the line of Ankur from RIL.

Ankur: Actually, my question is that our focus on HEAL scheme but do you have any exposure currently to agricultural sector?

Sandipan Chattopadhyay: We have one of our startups which is doing a steady job in Bengal and post that we have been more or less waiting because we learned certain things because of our exposure with the government sector for the first time and the next batch we will probably be doing maybe in a year or so. Not now at the moment.

Moderator: The next question is from the line of Nilang Govan, Individual Investor.

Nilang Govan: We released a press release on the UK Prime Minister visit right, the investment of about Rs. 3.50 crores. So, could you please throw some light on what is the timeline which we are planning in and I also understand there is about a 100 people employment opportunity. So would like to know a little more about that on the timelines.

Madhu Poomalil: The investment amount that we had declared to the UK Government is a spread over 3-year period that the initial amount for the investment for starting the operations. The headcount unfortunately has been misrepresented. We had mentioned very clearly that we would be hiring the pre-sales and sales by end of this calendar year which should be about close to about 10 employees and then eventually we'll build our team. So that's just to clarify on the numbers.

Nilang Govan: Are we talking about still the \$3.5 million?

Madhu Poomalil: That's spread over a period of 3 years.

Nilang Govan: That information was not very clear on the news release. So, I thought I will get it clarified here. Thanks. But I do have a question. While we talk about say the \$3.5 million that is approximately Rs. 27-28 crores but whatever the money left with us or the new fund which we got, that amount



itself is only about the same amount? So, are we confident that we wanted to invest all that funds got raised they will be investing in the UK market then?

Sandipan Chattopadhyay: Why you are assuming that in 3 years will not have other sources of funds?

Nilang Govan: I don't have a doubt but this is just to clarify?

Sandipan Chattopadhyay: See it's a 3-year part that's the kind of requirement it is there to make a substantial business. Now whether the business funds itself or not we don't know. If the business in UK does very well, the profits itself may be put in those money. This is the kind of expansion costs that we have to put in to make the business substantiate. How we resource the funds and all those things that we will do it. For the moment we are allocated a significant chunk of the money we had raised for overseas allocation, that has been allocated and that roughly is about I guess a 40% of the said amount. So, remaining 60% should come in due time.

Madhu Poomalil: Thanks for stepping in, I think that that about answers what we have.

Srinivas Koora: Wherever required we have either we can raise funds through Xelpmoc. Again, all of this wherever we are in narrating is subject to our board approval or we may raise funds from a third party to directly into the Xelp UK.

Nilang Govan: I do have a question on...

Sandipan Chattopadhyay: Take your time. Its fine.

Nilang Govan: I forgot the question now in between the discussion.

Sandipan Chattopadhyay: No problem. You can reach out to us anytime. We are nearing the closing hours but yes, do reach out to us whenever you remember. We like to talk in this way. Please don't take it otherwise. Sometimes I know I interject and then because I get excited. These are the questions we like because these are strategic in nature. These are also things that we cannot disclose but if someone asks, we can answer so it makes us feel happy.

Moderator: We will move on to the next question from the line of Ishit Desai, Individual Investor.

Ishit Desai: On this Snaphunt, one of our portfolio companies if you could throw some light on how it's seed around and then if there is any progress there?

Srinivas Koora: Right now, Snaphunt is in HR, they have corporates to provide the manpower using the boards etc. Right now, we are in process of raising funds but they are still they are able to self-sustain on whatever cash that they have raised in our last 1-1.5 year.

Ishit Desai: In terms of business, that in terms of business is shooting up descent not just fund raising?



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May 30, 2022*

Sandipan Chattopadhyay: Yes, I think that is the key part and the business is doing pretty good and they have moved on to the big five or something pretty fast. They are trying for more penetration and trying to go so right now it's used for the top-level recruitments only; they are trying to go up bit down. Of course, that has passing elements in all in it. They are trying to find that product market fit for the lower class also.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Srinivas Koora: Thank you everyone for joining us. In case if you have any further queries, please do reach out to us. We will do our best to address them and that's it from our side. Thank you once again for joining us.

Sandipan Chattopadhyay: Thanks everyone. Take care and stay safe.

Moderator: Thank you. Ladies and gentlemen on behalf of Xelpmoc Design & Tech Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.