"Xelpmoc Design and Tech Limited's Q1 FY'22 Earnings Conference Call"

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Diwakar Pingle: Good afternoon and good evening to all of you. Welcome to the Q1 FY22 earnings call of Xelpmoc Design and Tech Limited. We have sent you the press release and the presentation. And they've also been uploaded on the website as well as stock exchanges, in case anyone doesn't have a copy of the same please do write to us to. To discuss the results and the outlook for the future going forward, we have the top management of Xelpmoc with Sandipan and Srinivas as usual. Before we start the call, I just would like to remind you of the Safe Harbor clause. And with that said, I'm going to throw open the floor to Srinivas to kind of start with the proceedings training all yours. Srinivas all yours.

Srinivas Koora: Thank you, Diwakar. Good evening, everyone. Welcome to Xelpmoc Earnings Call for Q1 FY22. I hope you and your family are doing well and staying safe at home.

The key highlight I would like to bring to your attention is the Newport Asia Investment in Xelpmoc. I would like to thank Newport Asia for having faith in Xelpmoc's mission to become an international tech evangelist. With Newport global network and research we will invest in augmentation of our senior management team and our overseas business expansion. We remain focused on our stated outcome to deliver market outperformance.

The other good news to share is the board of directors has appointed Mr. Srinivas Kollipara, as the Group President Startup Ventures. Mr. Srinivas Kollipara with 30 years of international experience was the founder for Hyderabad based T Hub, India's best known startup engine. He also used to run a corporate innovation division, serving leading MNC clients. We welcome him as a part of a senior management team.

Moving on to financial highlights, I am pleased to inform that we have maintained our business momentum while focusing on sustainable operations. We continue to move ahead with our execution plan, which is centered on identifying targets and sectors that correspond with our HEAL approach. Our operating revenue for the quarter was Rs 32.5 million as compared to Rs 35.4 million in Q4 FY21 and Rs 35.1 million in Q1 FY 21. Operating EBITDA adjusted for ESOP for the quarter was Rs 5.3 million as compared to Rs 5.5 million in Q4 FY 21 and Rs 14.1 million in Q1 FY21. Adjusted EBITDA margin was 16.3% as compared to 40.1% in Q1 FY21. As we had mentioned in our previous calls, due to the lockdown we had substantial fixed costs nonoccurrence which had resulted in abnormal high EBITDA margins in the past few quarters and is now gradually coming back to the expected level. The net profit for the quarter was Rs -15.3 million due to Rs 22.9 million of ESOP expenditure as compared to loss of Rs 1.5 million in Q4 FY21 and a profit of Rs 16.7 million in Q1 FY21. We expect to build on this performance in the current fiscal.

Our team size is 86 including employees, interns, consultants, as compared to 99 in Q1 FY21 and mainly the reduction is in the number of interns. Till date we have served 48 clients and our sustained interaction with our clients is foundation for good performance. The fair value of our investment in portfolio companies stood at approximately Rs 480.4 million as on 30th June

2021 as compared to Rs 347.3 million as on 30th June 2020. Our portfolio companies did well by embracing new opportunities. 4Tigo experienced a mild slowdown in April and May 2021 on account of the second wave, however, in June witnessed a near complete recovery to March 21 levels, with the exception of Kerala and northwest which continue to be impacted. July and August have seen some good consumer demand, manufacturing resilience and the normalization of the metal and mineral industry across India. The strong rebound and Fortigo focus on the growth trajectory is expected to move it closer to a breakeven by mid FY2022. The other portfolio company Mihup, Mihup has released the next generation of interaction analytic products VIA, this initiative contains more user-friendly dashboard, slick design and more robust technology at the back end. This will enable automation of quality control and auditing of 100% customer service interaction. Currently, it is rolled out in around 6,000 vehicles per month for the Tata Nexon, and Altroz models. The VIA has also started servicing clients in several other sectors including payments and online marketplaces. Woovly is on track to become India's most trusted social commerce platform. Every month, it's 5 million plus users generate more than 150 million views on content development by 18,000 homegrown influencers. Woovly currently has more than 110 brands and 7,000 SKUs active on its platform, leading to an ARR of over $1.5 million. Its revenue is increasing at the rate of 34% on month-on-month basis. 70% of its users hail from Tier one and Tier two cities come to Woovly to explore like brands, goods or associated user interface. Its buyers residing over 4,250 postal code across India and spend on an average of $10 per order. Woovly had a pre series A closure recently and is currently focusing on launching an online video commerce option. Among the other portfolio company, The Star In Me, a global career advancement platform for women professionals, as garnered 7,000 plus members from 69 countries till date. These users are availing coaches, from 90+ leading experts in across 10 countries. It has also tied up with 20 MNC clients in IT, pharma, BFSI and consumer sectors as a facilitator for their employee learning. It has won startup awards from HYSEA, SESC and Shepower in association with the US Department of State and Kerala startup mission. It has booked a revenue of Rs 60 lakhs till date and is focused on boarding 40 B2B clients and 20,000 B2C members. TSIM has recently raised funds from ISB as a department of science and technology and from one of the US based investors.

The board has also approved acquisition of 64% in Singapore based GOFX Platforms Technologies. GOFX is into development of e commerce application in the HEAL sector and will enable global market approach, reach and growth for the Xelpmoc. I would like to share that we had our first exit in August 2021 in ideal insurance Brokers, the cost of acquisition was Rs 2.35 lakhs and we have sold our stake for Rs 50 lakhs resulting in a profit of Rs 47.65 lakhs.

Now, let me come to the outlook for the remaining fiscal year of 2022. We see a promising growth in our portfolio companies, given that they're concentrating on hitherto unaddressed areas of the economy. We expect, our key investments including 4tigo Networks Logistics, Mihup, Woovly to expand and enter the next generation of growth. We continue to maintain our cautiously optimistic outlook, given the current challenging times limiting the opportunity to onboard clients. With this now I request Diwakar to open the floor for question and answers.

Diwakar Pingle: Thank you, Srinivas for those opening remarks, will now open it up for the Q&A. So the first question comes from Rudresh Kalyani, Rudresh please go ahead.

Rudresh Kalyani: Hi team, I got a few questions. So, I will start with a couple of them. For how many quarters are we going to capitalize these ESOP expanses and in what range? That is my first question. And the second question will be, our revenue has been stuck around for 3 crores from somewhere around six odd quarters. So when can we expect an uptick in that? And, the third question is, what was the reason when selling the stake in Ideal Insurance Brokers?

Srinivas Koora: So, basically in case if you look ESOP, ESOP we had two pools, one is ESOP scheme 2019 and other one is ESOP scheme 2020. Now under ESOP scheme 2019, we had close to about 8,21,369 options, which have been approved by the shareholders out of which we have given about 5,15,743 shares options to the employees. So majority of these options grants are going to be exercised over the next few years. Please understand that these are the employees who are associated with the company and at a very senior level, and the compensation package at Xelpmoc is higher on the ESOP side and lesser on the cash so that they have longer term with the company. Now I hope that answers as part of the ESOP is concerned.

Sandipan Chattopadhyay: Coming back to your two other questions as to I think the two questions were basically that why did we exit Ideal Insurance Brokers and the second one was when will our revenues be unstuck? So the first part of it Ideal Insurance we have not been playing an active role for quite some time and the pathway they have been taking while it has a lot of promise, we do feel that there is something more that we can do in the insurance sector in a different dimension, they have their own business model, which is there and when we had interacted with them and build the first level version, it was relevant. But in today's time and place, probably something new could be done. As you know that we interact with one entrepreneur in one problem area. So to give us some space for some furtherance in insurance space in a future date, we've thought it was the right time for us to exit this part. Anyway, it was an insignificant stake we were holding, we were holding just 1% in it. About the revenue of getting unstuck, I think we have clearly said that we are looking at a revenue growth only from next financial year first quarter, and we are sticking to it. At this point of time, we are consolidating, making sure that our overseas market exposure, the business setups there, the kind of focus that we want to give on startups to find our next level of winners. Those are the key components where our time is going and by the time we consolidate and get ready for the overseas market only then we will start look at serious looking at revenue increase. So I don't think you can expect any revenue increase and revenue will be in this range till next year first quarter. I think that's something we have always consistently said. It is not changing.

Rudresh Kalyani: Thank you. I'll come back in the queue for the later questions.

Diwakar Pingle: Thanks Rudresh. We take the next question the line of Jagdish. Jagdish please go ahead.

Jagdish: We have invested our technology support and I don't know about the financial support in the Tata Cliq, where I think I have seen the use case where we improve the Tata Cliq performance based on the design or something. How the collaboration and how are we planning to get a new customers in that area?

Sandipan Chattopadhyay: Tata Cliq was a pure services project. And there was no other participation from us other than technological inputs. And it was a one-off project wherein we built it for them and we handed over and came out. These are projects that we have done so that the experience factor for us to know that we can work for large logos, kind of building up a portfolio. All these things are important and from time to time. It's not just Tata Cliq, we have worked for several corporates to find out what is our niche where do we expect the maximum kind of windfall or the maximum kind of margins to come in from when we are doing a pure services project. And as you know that I've said in the last few concalls, that we do feel strongly that it is better to put our services focus for marketing and sales in the overseas market than in the Indian markets because margins arguably are much more lucrative. And if we are doing it for margin and might as do it for the highest margin. That said, as and when challenging assignment come up from good logos, which sort of help us establish ourselves as a serious player or a player with serious reputation or skill, we would participate in it. And it's not just Tata Cliq, we have worked for Britannia also, we have worked for some marquee names and we are in the process of working with some more, which we cannot disclose immediately. But that's where the services part will rest. But you will see a sea change once we go overseas, and then we will be purely focusing on getting a funnel of pure services revenue, which will be different.

Jagdish: Thank you very much sir.

Diwakar Pingle: We have the question from the line of Abhishek Agarwal. Abhishek please go ahead.

Abhishek Agarwal: Thank you for the opportunity sir. I just wanted a brief overview on the startup ecosystem that you're seeing currently in India, as well as abroad.

Sandipan Chattopadhyay: See, the thing is, it's quite simple. If you look at it, from the very top level, we are close to a $3 trillion economy. And somewhere or the other technology will enable at least let's say 10% of the GDP. And if you assume that 40% of that business of let's say 300 billion would get done from startups because of the innovation cycle. It's a large market, which will lead to large capitalization. So overall startups do have a key thing, because somewhere we had a kind of a log jump innovation and suddenly it is coming into the fold. Now that said, our perspective and our knowledge we have limited to what we call as the HEAL sector and allied sectors. And we do think that sector possibly will have a kind of higher rate of return from a worldwide perspective. So if you look at it from a startup focus, we probably would be more interested in startups out of Southeast Asia, Africa and India, than let's say startups out of Europe or US or any of the non-third world countries from overall perspective. Unless those startups are pure tech startups, where our chance of participation and all unless it is in data science looks remote to us because a high-tech startup does not really need to engage with us in any form. Now, from the overseas aspect of it, which we are trying to get into and that's the reason you see our interest in the UK office as well as in let's say the GOFX acquisition that we are doing in Singapore. This is mainly to make sure that we are attached to those sort of ecosystems where our kind of startups in the HEAL sector is deployable. Now, you must realize that in India, when we started as promoters, we had a reputation, we had a knowledge of the entrepreneurial ecosystem about who we are and hence some faith. Unlike India, in UK or in any other country, our reputation is not that well understood or found to be relevant. So till we build a portfolio through services in UK I don't think we will get the hang or the handle of good entrepreneurs there. So we will wait our term, but overall, anything which is focused as mass markets, anything which is focused on soft sciences, anything which is focused as human man machine interface, I think these are the three areas where we feel startups would do very good in the next 10-15 years.

Abhishek Agarwal: Okay. Sir, one more question if I can. In the startup I mean, since we have opened up subsidiaries now in UK as well as Singapore, so any new capabilities or any new opportunities that we're very excited for we see on the horizon.

Sandipan Chattopadhyay: See the thing is the Singapore ecosystem is much more focused on let's say, the African markets or Latin American markets or even in some parts of things like health or education where there's a focus on the whole ecosystem and a lot of government support. So we do think that it'll open up doors for us. And the key aspect is always people. We think that our partners in there are a set of people who actually are pretty reputed and that will again hopefully help us to open up doors in those ecosystems.

Abhishek Agarwal: Okay sir. Thank you so much, all the best.

Diwakar Pingle: I will ask Kishan's question first. Last year, we were making profits, but again we have started losses, is it because only of ESOP of booking or anything else? That's the first question Srini you want to go with that?

Srinivas Koora: Yeah. So basically, yes, as you rightly pointed out, it is purely on account of ESOP booking. In case if you look at it, the topline was about Rs 3.25 crores and overall total income was about Rs 3.5 crores adjusted EBITDA was about Rs 53 lakhs of profit compared to Q4 previous year it's about Rs 55 lakhs. And in fact, the adjusted EBITDA margins have improved when you compare Q4 versus Q1, in Q4, it was 15.4%. In Q1, it is 16.3%. In case if I can exclude the ESOP. I hope that answers this question.

Sandipan Chattopadhyay: I would like to add a little bit more. Apart from this, we also have invested a huge amount of time and effort in identifying startups, which hopefully you will get to know in the next quarter or two. So there's a lot of work that happens before it comes to the fore. And you know, even prospecting and finding winners, interacting with startups is a very heavy process on our end. And we have been heavily interacting with a lot of startups. Hopefully we'll see some of those tractions visible in the next two quarters. So that's also a huge part of effort. We have not taken that manpower and tried to get more services project to buffer up or lift up the revenue level. So that's also a strategic call we have taken.

Diwakar Pingle: Yeah, the second one from Kishan reads, we have done a private placement in Newport. Is there any specific reason or we wanted to raise funds at a good price? What is the rationale behind the private placement in Newport?

Sandipan Chattopadhyay: So we wanted to make sure that we are able to do our strategic execution of management augmentation plus the overseas expansion in a sensible way, with no other impedance coming in the way and for that the funds were important. I think we have grown at a rate slightly faster than what we had calculated. And we think that right now, the entrepreneurs, as you call in the stock market term, the promoters could be the biggest bottleneck that was going to happen if we could not expand on our philosophy at the right time, we thought that the timing was becoming hot and it was a time for us to harvest. So, opportunities coming our way because I think our model has clicked and the faster we expand onto it is better. So getting intelligent people, smarter people than us onto the management, getting better people than us to augment us for the next level was paramount. And for that we wanted to make sure that we have the right kind of reserves and the kind of funding that we need, irrespective of whatever else happens on to that. But we didn't want to put pressure on to liquidating our assets, just to make sure that we are able to fund it to given our strategic vision. That's the main reason for raising the funding.

Diwakar Pingle: Thanks. The next question comes from the line of Gaurav Joshi. Gaurav, please go ahead.

Gaurav Joshi: Thanks and nice to reach back here. So just in terms of the capital equation, in terms of the new money which you have raised, and also in terms of this sectorial allocation, how much do you think we'll be going for the service line and how much do you foresee going for the startups, investing in startups and also in terms of the startups, is there any sectorial allocation which you're making, how much is for tech, how much is Edtech, which all sectors you are more inclined to and what is your exact majority holding period in such sectors?

Sandipan Chattopadhyay: So I will try to answer this since first of all, we have not raised this fund to fund any startups, that part of the model has not changed. And I don't think they're going to change it in the short term, at least for a year or so more. The fund has been raised to augment senior management, to increase and get a better team and to make sure that we're able to bootstrap and start our overseas operations. The overseas operations, as you rightly said, are geared towards getting more services business, but they need a gestation period and a kind of sedimentation time. If you connect the things we are saying, we have said that we hope to get some traction in the services and the service revenue will grow from next financial year first quarter. This is the build up to that for which we need to make sure that we're augmenting it properly. And generally, to make sure our business grows and probably grows at a more sensible level to answer some of those questions when we exit, what's the right time to exit, what's are the best new startups, I think we need to augment the management bandwidth, which we will be doing aggressively and some part of the fund is for that part. The funds are not going to be deployed for I mean, unless there are always exceptions, but the purpose of raising the fund is not to deploy it into a particular sector or for any startup.

Gaurav Joshi: Thank you.

Diwakar Pingle: Thanks. The next question is from line of Sandeep Das. Sandeep Das go ahead.

Sandeep Das: Hi, everyone. So, one of the questions was already asked regarding the Newport Asia, so my other question would be like in the current revenue, what is the breakup of the revenues coming from the product and revenues coming from the services?

Srinivas Koora: So, as of now most of the revenues are for that matter, even 100% revenues are coming from the services only. Products what we do is we inbuilt into it, like these are the components which are being developed before shaping up the final product. So those are being used to render the services.

Sandeep Das: Okay. Also, can you just give a brief elaboration on what is the strategy for the next three to five years in the product lines, the service lines, and as far as the startups are concerned.

Sandipan Chattopadhyay: Three to five years is quite a long time. Honestly, it's not in our full capability to project for that long to be very accurate. But broadly, we will stick to our core competencies, the products that will come out will essentially be around leveraging our expertise in data science, statistics, mathematics, and our understanding of design and ancillary parts. In three-to-five-year time frame, as you can see now that one pattern I don’t know if you people have noticed is our equity stakes in the startups are growing significantly from our first few parts, right. And mostly, we are getting into a higher level of equity participation in the startups because we are playing a longer and bigger role. In probably three to five years, you will see Xelpmoc having some startups where we may hold above 75%, notionally that means that we are kind of like the majority and I mean, there are no other big participants, and those are going to be a bet. That's the kind of product venture mix that we think will be where there will be three to five years from hope that answers your question.

Sandeep Das: Got it sir.

Diwakar Pingle: Thank you, Sandeep. I'll take the next question from the line of Swapnajeet. Swapnajeet go ahead.

Swapnajeet: Yeah, thank you for answering all this question. So my question is that currently, like we have 4Tigo, Mihup, Woovly, those are doing fairly well. So is there any plan to increase stakes in those or we'll keep holding how much you're holding it and just monitor how it is going? That's the first question. And the second question is, we got the notification that we have acquired close to 64% on GOFX. So just want to know, like, what it does, and is it like completely new startup or it has some background of some years? So this two question will be handy.

Sandipan Chattopadhyay: I'll answer the first question, which is basically as to are we going to at least preserve our stake in this startups? I think the answer is very simple, it's we've cut our coat according to a cloth and right now, I don't think our cloth warrants us and the valuations have gone to that we can hold on to even if we want to, at the at the moment of time, we don't want to make sure that we are confusing our priority as to where our investment needs to go into, hopefully, we will find a solution for it in a one to two year timeframe. But as of now, there are no plans that said, if opportunities come up, if we find a mechanism which is favorable, and works to our benefit, we may form some strategic point of view. About GOFX, it's actually kind of a JV you may say, which is instrumentalized as a kind of an acquisition. If you look at the value we are paying, it's almost at the face value level. The reason is, we've thought that to reach out to the overseas market, it is better to go with a focused set of experts who are doing that only. And we want to make sure that it is not somewhere where we are burning a lot of money in trying to investigate, they have equal skin in the game. And that obviously will make more cost-efficient structure for us to acquire new businesses in overseas territories for the sectors that we are predominantly in and so it's more of an efficiency structure that way, it's a new startup, it doesn't have much history, the other promoters have a lot of history. And that's what got us interested to set up something of this nature with them.

Swapnajeet: Yeah, thank you for answer. And the last question, if I may. So suppose currently what's happening, we are primarily providing services to the state of and we're getting the request take out of it. But is that the plan going forward or it may be a scenario where we need to infuse cash as well, if needed, to some startup, just trying to myself clear.

Sandipan Chattopadhyay: All these options are open, maybe we will come up with a new model, maybe we will go on with a new change of how the venture world should be, all things are on table. But coming to your pertinent question as to where we see the focus, the focus is that we will play to our strengths and what is our capability not spread ourselves too thin and try to build on whatever is markedly market acceptable or believable in terms of what we can deliver and try to maximize that. But our core focus is to make sure we are catalyzing innovation across all the spectrums. And for that whatever we think is the right tool, it may be fundraising for our startups, it may be coming up with a new model of doing some sort of stock swap. We are open to those things as long as it makes sense for us and our shareholders.

Swapnajeet: Thank you all the rest.

Diwakar Pingle: Thank you Swapnajeet. I think that also answers the question of Vardhaman Gandhi and Anand Shah, who wanted to know more on the GOFX acquisition and the rationale behind it. I think Sandipan did answer that**.** I will take the next question from Yashesh Ajmera**.** Yashesh please go ahead.

Yashesh Ajmera: So I have a kind of a philosophical question.

Sandipan Chattopadhyay: So I love those.

Yashesh Ajmera: Thank you. So let's say if I own certain shares of Xelpmoc, what am I actually owning. That is my question.

Sandipan Chattopadhyay: I think you had interacted with me on LinkedIn, correct. Correct. I do have a sort of memory and recall kind of thing. Yes, I think that does take care of a little bit of a philosophical answer. What you firstly own is focus on to a sector, which is underserved as of now, and what you own is a kind of ownership into solutions which are focused for the next 500 million Indians, hopefully transiting the next 5 billion world citizens. That is one thing that you are surely owning what you essentially own is something akin to, I would not say a standard mutual fund but more of a leveraged mutual fund, where the instrument that you're investing in which is Xelpmoc is trying to get a delivery assurance and success ratio of higher by making sure access to technology for these sectors, which are usually starved of technology is given at par with world standards. I think that's the concept, and you're owning and if we do it properly, then the spoils of the war from those sector, the wealth from the bottom of the pyramid is what we stand to capitalize. Does that answer your question?

Yashesh Ajmera: Yeah, absolutely. Thank you sir.

Diwakar Pingle: Thank you Yashesh**.** I'll take the next question on the line of Vidhul Sikha. Vidhul please go ahead.

Vidhul Sikha: It’s an honor talking to you. So, here's my question, in last concall, there were four different views which was put around how Xelpmoc plans to play the edtech sector, one being through the formal education, and one being through competitive exams, so I just want to understand what are the updates there. Are we still sticking to the view, and what's happening to the few companies which Xelpmoc have acquired, just want to understand.

Sandipan Chattopadhyay: So I'll just refresh the segments again and I think broadly we are talked of three segments. One is what we call the need to learn, which is a formal education sector, then there is a need to succeed sector which is a competitive exams and such like and then there is a need-to-know sector, for which we had also talked about the acquisition and a kind of a process we are doing through a subsidiary called Signal. We are working very hard on all these aspects, and incidentally for need to succeed you have seen our strategic stake that we have taken in a company called GEPL, which, which works on something called Sarkari Pariksha helping people prepare for government exams and all and this was I think done two quarters back, if I'm not mistaken, or maybe a quarter back. And so we are on track on those spots, but again, these are slightly things we have started last year, probably four to seven months there. So you will hear some news on our starting, hopefully in the next 2-3 months on the need to know front and some maturity levels and some performance factors coming in, probably another five six months for the education sector and the need to succeed sector.

Vidhul Sikha: That answers my questions. Thank you.

Diwakar Pingle: Thank you Vidhul. I'll take the next question from the line of Dhwanil Desai. Please go ahead.

Dhwanil Desai: Hi, guys, so I'm new to the business model and company, so pardon my ignorance, if I have some stupid questions. So first question Mr. Sandipan is that, in this tech for equity segment. typical ticket size that you know we have been deploying is less than Rs 1 crore, is this the norm or more of a limitation, from where we started and it has the potential to go up.

Sandipan Chattopadhyay: I couldn't hear your question fully properly there was some sort of a static coming, but I think I got the gist of it. So first of all, we are not tech for equity exactly. We are tech for cost plus equity, that's the first thing that I want to correct, which means that we are not making money unless the company does well so we have skin in the game, and the value we are bringing in terms of delivery assurance, execution, architecture, kind of building for the last, that is what we are booking in the equity that we take from the company. So, as such, there are limitations which come because of ethical, and, of course, practical issues, like if you're working with a particular entrepreneur in a sector, it is immoral, as well as strategically wrong to work with other entrepreneurs in the same sector. So the standard services model has an experience in making bank interfaces for hundreds of banks, and every other bank I do my cost comes down, that doesn't apply to us, but what we gain instead, is the fact that we own equity in all these companies and hence the chance of success of any one of them. And if even one in five strikes at big, we are more or less compensated for from that perspective. And no matter how well you do the other model, you will probably get 50%-60% margins, whereas here we are talking about 5x-6x return in terms of margins coming in, so that does sound lucrative, even with the kind of thing that some failure is inevitable.

Dhwanil Desai: Okay, got it. Can I ask one more question.

Sandipan Chattopadhyay: Yes

Dhwanil Desai: Second question is, you know, in all the investments that we have done, because of the limitation of resources. We kind of keep on getting diluted, even though the ventures scale up, so do you guys have, you know, kind of any understanding that when the inflection point will come where we have to, at least not mandatorily dilute and hang on to our stake. Is it like you know after you rotate from first state of your investment, any touch milestone or inflection point that you can take off.

Sandipan Chattopadhyay: I think that is not possible to keep ours intact and be fair to the entrepreneurs. We come in at the co-founder level and remember that we are getting diluted at par with the co-founders, it will be unfair of us to sort of flex our muscles and have a favorable clause in our favor when making the entrepreneurs suffer double, that is something I don't think we will do. Coming to whether we should want to sort of play a role in choosing the startups and deploying more money so that we don't get diluted ad infinitum, surely we want to do that, but for our top shots, and I think we are 6 years vintage, about to be six years not even six yet. Our best startups are a model vintage of three to four years. I don't think we would rather deploy our resources to some other parts of it and do our full start strategy of the 30 odd problems are the 40 odd problems we identify, make sure that we have covered them all before we start deploying our resources for other aspects, and out of greed. We never know if that money we deployed the opportunity cost of that is higher or not. So at least as long as we have a thesis, we want to follow it. And then as we have completed at least part of the thesis, maybe then we'll look for it. And another thing is we have to find out if this is the right way to deploy such funds, or does it make sense for us to do some other financial instrumentation like an AIF, which is working in tandem with us and do it, we don't know, we have not thought of that question, we have parked it for now. Once we think about it we will find out the best method to do it.

Dhwanil Desai: Understood. Thank you.

Diwakar Pingle: Thank you. We'll take a follow on from the line of the Rudresh Kalyani. Rudresh go ahead.

Rudresh Kalyani: Hi, Sandip. So, I was asking about the stake we raised in three entities, recently, in the Pencil and Slate as well as the in another one. So what was the strategy behind increasing the stake in them.

Srinivas Koora: Yeah. So, to answer your question Rudresh, for example in case if you look at Pencil, we have entered into a contract about three years back. So three years back, we have subscribed for optionally preferential shares, and as well as partly convertible equity shares. So, over the period of time as and when the time occurs we need to convert this partly paid equity shares into fully paid. So that keeps on happening every quarter based on the technology that we deployed in Pencil. So that's the reason why where you see Pencil equity going up. And as far as the Slate is concerned, Slate what happened was they went ahead and raise additional capital from existing investors. And just as a part of our share, as a part of anti-dilution protection we have infused additional about close to Rs 50 lakhs.

Sandipan Chattopadhyay: I think we did it in the right spirit because the entrepreneurs also put in money. So we've been putting money with at par with them. We wanted to make sure that we are backing them to the full extent.

Rudresh Kalyani: Thank you.

Diwakar Pingle: Thank you Rudresh. We'll take another follow on from the Gaurav Joshi. Gaurav go ahead.

Gaurav Joshi: Yeah, so, thanks. So this is just a follow up you know from what's Sandipan covered in the question just preceding this, and he also talked about AIF..

Sandipan Chattopadhyay: I said that probably we will find the right instance.

Gaurav Joshi: Correct. So are we looking into positioning us as investment holding company, long term and we don't envisage to start up something like a product business, just for a diversification perspective or you think yourself as purely investment holding company.

Sandipan Chattopadhyay: Okay Gaurav, I'll give you a very honest answer. We're not modeling or trying to go into anything, we are innovating improvising as we see opportunities and what we think is the right solution. I don’t have fix plan. Only you as I said, will do whatever fosters our and maximizes our cataclysm of innovation, and make sure that we are trying to do it with the right balance of investor interest, and our shareholder value increase.

Gaurav Joshi: Yeah, it does.

Sandipan Chattopadhyay: Is it any incompleteness feeling I can sense in your voice that you are not fully satisfied.

Gaurav Joshi: I'm just seeing you from the perspective of, you know, there is still evolution stage for where we are from a strategy perspective it is moving from. Or is it open for…

Sandipan Chattopadhyay: When we started there was no model like ours, right. And we started off, and it has worked. So now we are seeing that to make this model more sustainable to do the good work we are doing with more impact. What is it that we need to do, what are our limits, what should we not do, what should we do. It's a constant innovation we are doing among ourselves all the time. And trust me, I will be very honest with you, I don't have all the answers, but we know that we have enough bright brains in our heart and our experience to figure out the answers as we go along, we'll make mistakes on the way, but we'll correct it also, Because we'll stick to it.

Srinivas Koora: Gaurav, Sandipan response was more in reference to follow on investment in the portfolio companies where Xelpmoc has invested. So right now, at least for next few years, or next 3-5 years we'll continue the existing model, as far as follow on investment is concerned, like what we did in Rype Technology, Slate on a case to case basis the board will take.

Sandipan Chattopadhyay: We've done one exception before also, we have done in a Mihup when we knew, we are very close to a good product, but we're not able to raise funding very easily. So we did it. These are all one of cases where we will back our bet, and our conviction, and sometimes it will pay off sometimes it will fail.

Gaurav Joshi: See what I was looking at, the sense I was getting you know you're also, like an angel network, you're also like setting up an AIF.

Sandipan Chattopadhyay: We're not an Angel Network.

Gaurav Joshi: So I'm just looking at you from what exactly is you….

Sandipan Chattopadhyay: Whatever works.

Gaurav Joshi: You have pick up the best things.

Sandipan Chattopadhyay: Again, that it's the whole philosophy behind starting Xelpmoc going public surely was to make sure that the Indian middle class has a say in our startup ecosystems growth. We will keep to that, whatever instrumentation is there, even if we form an AIF we will do probably a rights issue or we'll issue new funds and Xelpmoc will be a participant in AIF, it is not just a rich man's game, this much I can assure you.

Srinivas Koora: Gaurav, the main focus on Xelpmoc is on innovation, on technology to address next 500 million users within India. Now, how do we invest, where do we invest, how portfolios that we are going to build it's a sort of a byproduct for us.

Gaurav Joshi: Got it, thank you and appreciate your time.

Diwakar Pingle: Thank you Gaurav. I'll take a next question for line of Ravindra. Ravindra please go ahead.

Ravindra: Mr. Sandipan thank you so much. First of all thank you for giving us an opportunity to invest in startups indirectly. This is the most exciting investment that I have in my portfolio.

Sandipan Chattopadhyay: Thank you so much for you know, understanding us and our best wishes and participating and we are so grateful that we had such a resounding acceptance in the market when we started, there was a lot of doubt, will people get it not get it, but we knew that if we really want to have a strong survive ecosystem, some of us have to raise our hands and go and try the untested and we are glad we did so especially because of support people like you.

Ravindra: Thank you so much. Mr. Sandipan I would like to get an update on the pilot project that we're doing with a listed restaurant.

Sandipan Chattopadhyay: You are talking of the tech project right.

Ravindra: No, the listed restaurant project.

Sandipan Chattopadhyay: Trust me that has been sort of put onto a kind of a cold storage because COVID happened and that entire segment is more or less, not looking at really doing much other than having their presence on all the marketplaces to be very frank.

Ravindra: Got it, thank you and have you registered a UK arm?

Sandipan Chattopadhyay: We are in the process of doing it, we are timing it well. There's no point listing it and then you know we can't even travel there, so we are caught in a log jam, hoping for those things to clear up.

I think I saw one question in the chat, which I thought was interesting, and I'll answer in short, yes, we are planning to recruit people in Europe and UK to do it, we don't want it just as a front office for our Indian operations, we want to create a true MNC, and we will be looking at that. But at the same time we want to form with those people as fundamentals to make sure that they have skin in the game, we will make some interesting structures to attract the best talent there.

Ravindra: Thank you.

Diwakar Pingle: Thank you Ravindra much appreciate it. The next question is from line of Pawan Pagaria. Pawan go ahead.

Pawan Pagaria: Yeah, I have a couple of questions. Okay. The first question is, the last couple of quarters we've been seeing this loss, on account of ESOP being issued to the employees. So, how many more quarters or what is the quantum we're looking at debiting the P&L account to account for the ESOP.

Sandipan Chattopadhyay: I think Srini had covered it last time but anyways Srini please go ahead.

Srinivas Koora: So, you have another seven quarters, basically this is for two years. So we have just started. Most of it started from mid of last quarter, so that is the reason why it was not reflecting full quarter ESOP expenses for previous quarter. But yes, this, this quarter it reflects fully, but at the same time Pawan you should understand that we are augmenting, we are on boarding few senior guys like today on the opening remarks I mentioned.

Sandipan Chattopadhyay: Pawan this expense will be there, but we will overcome that with better revenues and better margins.

Srinivas Koora: So this current expenses in case if you ask me, it will be there for next seven quarters.

Pawan Pagaria: The next question is, we've been actually able to project, good results on a consolidated basis because of the incremental valuations of our investment made in startups, when can we actually see our own AI and machine learning, to be able to give us good and handsome returns.

Sandipan Chattopadhyay: I think I have answered that partly, when I said that in a three to five year timeframe, probably, you'd see that we will have our own mainstay products, and ventures which will be solely owned by Xelpmoc, but one train that you must realize and I was trying to point that out is, in some of the key sectors, the kind of stakes we are taking, are quite significant. It's not like previously where we are significant minority holder, I think we are now significant majority holders in many of the ventures, so it's a slow transition. You are already seeing parts of it in play, but it will come into fruition fully probably in three to five years.

Pawan Pagaria: The last question is, we've seen a difference in the value was there in the presentation from last June to this June, but from March 21 till date is there been a calculation done or is it the March valuations, we have included in the presentation.

Srinivas Koora: So to answer your query Pawan like as we stated in even previous analyst calls as well. What we do is, as far as the valuations are concerned we relook at it every six months. That's as on 31st March and 30th September. Now what happen is next revision on the valuation you will look it in the next quarter.

Pawan Pagaria: Understood.

Sandipan Chattopadhyay: So, just to tell it I think I'll qualify that more. Unless there is a funding event which we have to notified to the exchange anyway, we don't do valuation every time. If there's a funding event then we do update it, we want to make sure that every transparency is maintained and all those things, we will not hide, positive or negative.

Srinivas Koora: But discounted cash flow valuation as mandatory and as required is done once in six months that's on 31st March and 30th September.

Pawan Pagaria: Just one thing I need to thank you guys because all the guys want to or rather would aspire to make investments in startups, but small retailers like ours would not be able to have the bandwidth, nor actually have the moneys to go and put the moneys there. So I think by Xelpmoc we're going achieve those aspirations, and I think it's a great opportunity for retailers like us.

Sandipan Chattopadhyay: I hope that you know, there is much more done regulatory and all those things the simplest thing people can do is have a MF, which is looking at startups. These are things that we need because finally, where the funding comes from also determines what kind of solutions will be done. There is no reason why a foreign investor would believe in something very rustic, which works only in India, and he would rather bet on something which he has seen work in the country of his choice, or a domicile of his choice. So as long as we need solutions which work for India, we have to wait for startups to survive and then there'll be a lot of interest from investors, all we have to change the investor base itself, so that they understand the problems that we have been trying to solve and believe and put money in it. I think that's a reason for doing Xelpmoc.

Pawan Pagaria: Yeah, just to add on to this. I was listening to a seminar by Mohandas Pai was speaking and was saying that only the big guys from outside India are making all the money from the startups in India, Indians are not participating, it's high time Indians participated and grew within the country.

Sandipan Chattopadhyay: Well, let's hope they make money. Firstly, remember that Xelpmoc is not going to focus for those flashy valuation based startups, we are pretty focused on very rustic startups which have a prospect of EBITDA positivity in the short term, and that's been our focus, so that probably would need a different kind of Xelpmoc model, someone else should start it and I think that's also a lucrative model, why not make money when the sun is shining, and who knows that's also has a lot of success. We understand profits, we understand very hard core unit economics, our focus is on those sort of startups, and we limited restricted to bottom of the pyramid startups, that's our focus.

Pawan Pagaria: Great, thanks Sandipan for answering all my questions.

Diwakar Pingle: Thank you Pawan. Next question comes to the line of Sandeep Das. Sandeep go ahead.

Sandeep Das: So my question is particularly on Woovly. So can you give us a brief description about how they are doing in the Tier II, III cities.

Sandipan Chattopadhyay: 31% of the of the value is coming from Tier two, three cities. Now, if you assume that the per customer spend would be a fraction of the Tier I city. I think from a usage number, probably it will be more 60:40 at least.

Sandeep Das: Okay.

Sandipan Chattopadhyay: Srini, I am right is it 70% from Tier I and 30% tier II, right.

Srinivas Koora: Yeah. 70% is from tier I and tier II cities and 30% is from the rest of the country. And our average spend is close to about $10 per user.

Sandeep Das: Okay. And the next question is it like modeled on the company call Shein , which is the Chinese company Shein , or is it like there's a plan to go towards that model like customer to manufacturer that kind of a model.

Sandipan Chattopadhyay: No idea. We are only following whatever the user patterns seem to be looking at from our analysis and we are doing it, but I actually will look up that company, I'm right now knowledgeable of that particular model, I look it up.

Sandeep Das: Okay, sure. That's it from my side, thanks.

Diwakar Pingle: Thank you Sandeep. Next question is a follow on from the line of Dhwanil Desai. Dhwanil go ahead.

Dhwanil Desai: I mean, probably quite a basic question. So Sandipan, I want to understand the service business that we are having. From the talks that I have listened to and the calls that I have listen, our entire focus is on to scale up this startup, you know portfolio that we have. So is it fair to think that it is more of a, you know, kind of cash flow support kind of business that we are building on the service side, or there's something more to it.

Sandipan Chattopadhyay: I did explain here, a cash flow support, surely there is a little bit of Robin Hood we can do, which we will not avoid doing, but as I was explaining that see we had some credence we had some acceptability we had a reputation in India, right. Outside India, no one really understands what a Justdial is or what Money Control is to be very frank. So I don't think we'll get the best entrepreneurs to work with us. Going there working for big logos, doing some great work, getting some acceptance, giving getting some reputation, then going for the startups there probably would make sense. Ideally, you know there's a lot of innovation that happens in material science, in core sciences, in manufacturing sciences, in the advanced countries because they have the money to do it, we don't have it. Probably will be in a position tomorrow to amalgamate, these sort of startups together and go with a completely new offering to Africa and India.

Dhwanil Desai: Okay. But is it fair to assume that on a significant part of the resources that you will generate and you will need will go to the startup ecosystem and not to the service.

Sandipan Chattopadhyay: Our Most precious invaluable resources will always focus on the startup and innovation ecosystem. This much I can assure you.

Dhwanil Desai: Understood.

Sandipan Chattopadhyay: Invaluable is a key word.

Dhwanil Desai: Yeah, okay.

Diwakar Pingle: I'll take the last question before we close the call. We are on the hour mark right now. We have a follow on from the line of Vidhul Sikha. This is the last question please.

Vidhul Sikha: This is not pertaining to Xelpmoc but I was just trying to understand when do we get to meet the management in person. Do we look forward to those events anytime in future.

Sandipan Chattopadhyay: Trust me, man. I'm the most fed up because I'm usually someone who loves you know, interacting, meeting people and this disease has been kind of a bit of a dampener. We have all got our second shots now, most of my guys are young, so they're still waiting in the wings to get the second shot. Hopefully, let's hope that next quarter meeting or next to next quarter, maybe we should be able to meet in person.

Vidhul Sikha: And so if we are in Bangalore or Kolkata, are we allowed to just drop by the office and schedule a meeting with you.

Sandipan Chattopadhyay: Please, should schedule and come over, I'm really more or less open to it, but we will meet in an open-air restaurant and all those things, with maintain all COVID protocol and do it. Office is something we are keeping very secluded because you know it's like a critical mass for us, we are making sure that we are following it even if you're having meetings were making sure that guy is not coming to office for next three days, quarantining at home and then coming to office when he's deemed safe in fact Srini and we sort of started a kind of a bubble office which we took our old bungalow of four bedrooms and converted the ground floor into an office, and the three bedrooms on top are people who are overseas who comes in here people, because we need to interact in person. So they come they stay there, they work in that bubble. No Junior guys allowed, because they have a very crazy lifestyle which we can't keep up with our risk. So, we have been doing all sorts of crazy things.

Vidhul Sikha: Lovely sir, keeping fingers crossed for that.

Diwakar Pingle: Thank you Vidhul. That was the last question. At this point I'd like to hand over the call to Sandipan front for his closing comments.

Sandipan Chattopadhyay: Personally, Srini has told you but Srinivas Kollipara joining Xelpmoc is probably one of the big things from my heart and from my intellect and getting someone of his caliber, experienced to even get interested in us and then the kind of depths that person has, the kind of things we get to learn from him is so huge and immense and getting him on a full time role in a very critical joint and he is willing to take that very enthusiastically, that has been on the highlights in the last few days, and we are extremely enthusiastic and looking forward to it. Similarly, we are talking to some pretty good people, hopefully we will have more good news like that to share in the few things that is very important for us right now getting good people on board, making sure we are ready for the next leap, you know when you are on leap, you have to sit down a bit and then get the full force. Last three, four quarters have been that. Hopefully, now you'll see a little bit of acceleration happening and anyway this stuck revenue and all is something we'll probably mitigate in the next two quarters.

Diwakar Pingle: Thank you Sandipan.

Sandipan Chattopadhyay: Srini, this has been your quarter you have done some amazing work; you have to go ahead and do that.

Srinivas Koora: Thank you everyone for joining us. In case if you have any further queries please do reach out, we are happy to address the same. That's from our end. Thank you, over to Diwakar.

Sandipan Chattopadhyay: Thanks to everyone who appreciates and we want to be this transparent, we want to make this accessible and we do believe and I have said it before, it's your right to ask us questions, as long as they're logical we will always answer.

Diwakar Pingle: Thank you Sandipan, thank you Srini and thanks so all the participants on this call. If you have any other queries, you can either reach out to Ravi or me, and we'll be able to fix up a meeting or call with Sandipan and Srini. Thank you and have a good evening. Bye.