



“Xelpmoc Design & Tech Limited Q3 FY-21 Earnings
Conference Call”

February 4, 2021



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Moderator: Ladies and gentlemen, good day and welcome to the Xelpmoc Design & Tech Limited Q3 FY21 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ravi Udeshi from Christensen IR. Thank you and over to you, sir.

Ravi Udeshi: Good evening friends and thanks for joining the Q3 FY21 Earnings Call for Xelpmoc Design & Tech Limited. It is a great pleasure to host all of you in this call today. The results and the investor presentation have been mailed to you and is also present in the BSE website as well as our website. In case anyone has not received the release, please do write to us and we will be happy to send the press release and the presentation to you.

To take us through the results and to answer your questions, we have the management of Xelpmoc represented by Mr. Sandipan Chattopadhyay, MD & CEO and Mr. Srinivas Koora, the CFO of Xelpmoc. Mr. Srinivas Koora will start the call with a brief overview of the quarter gone past and after that we will throw open the floor for Q&A. The standard safe-harbor clause applies and with that said I now handover the call to Mr. Srinivas Koora.

Srinivas Koora: Thank you, Ravi. Good evening everyone. Welcome Xelpmoc's earning call for the third quarter of fiscal 2021. I hope you and your family members are healthy and safe at home. I am pleased to share with you that we maintained our revenue momentum along with our focus on profitable operations. We continued with our execution built on identifying opportunities in sectors that fit our HEAL strategy.

Our operating revenue for the quarter was Rs. 35.3 million as compared to Rs. 34.7 million in Q2 FY21. On a year-on-year basis we grew by 65.6% as compared to 21.3 million over the corresponding period last year. Operating EBITDA after adjusting for ESOP for the quarter was Rs. 11.5 million as compared to Rs. 14.9 million in Q2 FY21 and a negative Rs. 4 million in Q3 FY20. EBITDA margin was 32.6% as compared to 43% in Q2 FY21. As we had alluded in our previous call due to the lockdown we have a substantial fixed costs nonoccurrences which are resulted in abnormal high EBITDA margins in the past few quarters and is now gradually coming back to the expected mean. Net profit for the quarter was Rs. 12 million after considering Rs 30.7 lakhs of ESOP expenses as compared to 15.6 million in Q2 FY21 while the net loss of Rs. 1.6 million in Q3 FY20. In continuation with Q2 FY21 a greater portion of our revenue came from international clients as a result of our hard work in fast few years our revenue diversification.

Our team size is 110 including of employee's interns and consultants. Till date we have served 43 clients and our successful results are founded on our continued engagement with our clients.



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The fair value of our investment in portfolio companies stood at approximately Rs. 443 million as on December 31st, 2020 as compared to Rs. 292 million as on December 31st, 2019.

Our portfolio companies have done well by quickly capitalizing on emerging opportunities. One of our portfolio companies Fortigo has grown exponentially in the past couple of years. The pandemic restrictions reduced considerably vis-à-vis the previous quarter, though movement restrictions continued in Kerala and Northwest. Metal and mineral segments picked up with sign up of two large companies. Like every year December was marked with the sign up of multiple large corporates. Subject to the continuity of the current trend of the receding pandemic especially with the Covid vaccine rollout and substantial improved business sentiments it is expected that they are on track for the next leg of growth starting from April 2021 onwards.

The other portfolio company Mihup is doing pretty good. In last few months their product virtual interactive analysis generation has been rewarded with while the conceptualization and execution of VIA Generation has already begun. On the clientele front they have associated with Tata for AVA auto. Recently they have on boarded two large new customers for VIA which is Virtual Interactive Analysis. Woovly, a social commerce platform for lifestyle products have acquired 3.4 million registered users and 14,000 plus home grown influencers. 76% of Woovly's users are acquired via organic or untold channels. 5,000 plus influencers have made money in last 90 days through their brand packed content which lead to savings of \$70,000. 30% of the users have written more than 750,000 content with the brand tags. 85% of the users are typically buyers of lifestyle, fashion, gadgets, fitness, and entertainment categories. Woovly is on track for ARR of US \$750,000.

Further to our earlier communications on investments in Catalist Incorporation we have applied for a Class B common stock i.e. non-voting, which is preferentially convertible to class A common stock with voting rights during Q3 FY21 and this is under allotment process.

Now I come to the forecast of the fiscal. We see a promising growth in our portfolio companies given that they are concentrating on hitherto unaddressed areas of the economy. We expect our key investments including Fortigo Network Logistics, Mihup and Woovly to scale up into next leg of growth. We are also optimistic of our recent investments to deliver technology solutions in education, health, insurance, and agriculture and deliver long term returns.

We reiterate our outlook on being EBITDA positive in FY21 and excluding ESOPS. We further retain our cautiously optimistic outlook given the current challenging times limiting the opportunity to being onboard with clients.

With this now I request the moderator to open the floor for Q&A.



- Moderator:** Ladies and gentlemen, we will now begin the question-and-answer session.
- The first question is from the line of Ramkumar RK, who is an individual investor. Please go ahead.
- Ramkumar RK:** I have two questions. The first one is regarding you have 110 employees you mentioned in the investor presentation. How much percentage of this 110 members are being billed directly to startups and how much percentage is retained for the Xelpmoc core business? And if you could let me know whether all of them are being billed directly to employee expense and retained from the startups or they are not shown in the employee expense and indirectly it is coming through billing entirely through the startups? That is the first question.
- Sandipan Chattopadhyay:** Okay what is your second question?
- Ramkumar RK:** The second question sir, is that you have started the international business. I would like to know what percentage of the revenue going forward do you expect to share between international and Indian business? This is the only two questions I have.
- Sandipan Chattopadhyay:** So firstly you must realize that our structure is not a man month billing structure at all. So people being billed is not the model we follow at all. There is work done and some of the work could be through common components like our team is essentially working on some common components which could be used across 4, 5 projects. That is a separate thing.
- So what we go about is an approach called work unit and apportionately the customer whatever is the work that is needed for a particular individual startup or individual customer that is mostly done. In very few cases to each customer we actually give a time sheet for each individual person but that is in a way huge projects and mostly the large ones where large amount of captive people are being used.
- That is the model by which it is done. So a particular person's work rather may actually get billed in three, four projects so to say. Now coming to your question of international operations, we have got some more international projects now which is just in the starting point and we expect that some rollouts will happen in this quarter, that said the plan that we had was starting on international operations in London and all.
- We obviously have put on hold keeping in mind the lockdown in parts of UK. But we are not deviating from our plan or trying to find an alternative sources. We believe these are all temporary blips and we will wait it out and do it at the right time.
- Ramkumar RK:** Okay sir. I have understood the second question very clearly, sir. I got the answer. May I please request you regarding the first? Regarding the first question I would like to know a clarification



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on you mentioned that one employee has been built in to may be four, five startups based on the number of man hours pending on the project?

Sandipan Chattopadhyay: An employee is never billed is what I said. I think that is the point you have to focus on. Work is billed. Now who works on that particular unit and deliver it is something that the customer in most cases have no clarity on. That is an internal part.

Ramkumar RK: I got it sir. That is all the 100% employees are billed directly to Xelpmoc only. They are being considered in the employee expenses.

Moderator: Thank you. The next question is from the line of Sudip Dugar an individual investor. Please go ahead.

Sudip Dugar: My question is with regards to the employee expense. So I wanted to understand more on the increase that has happened is it due to setting up the UK operations or are we hiring more people even in the domestic business? That is my first question. And the second question is that we still do not see the edutech startup being mentioned in your list of investments. So wanted to understand more on it?

Srinivas Koora: So basically to answer your both the questions. The first and foremost important thing the increase in expense in the employee salary on account of three fold. One is there were certain increments which were given to the employees in the last quarter and at the same time we have also added about four to five additional employees and third one is there is close to about Rs. 30.7 lakhs of Esop expenses. So whatever about Rs. 40 lakhs increase that we are seeing is all is coming.

Sandipan Chattopadhyay: This is something that we have been asked several times that how are people being paid how are we going to have to reward them. Our entire idea is that we want most of our critical employees to be co-owners. So ESOP is the way we want to reward and retain their interest in the company and that is the reason we were able to walk the talk and actually have people who are dedicated to the cause of the company much more.

Srinivas Koora: And second the investment into the education startup is one which we have taken up. It is under process and that we will be able to conclude that in this quarter.

Sudip Dugar: And another question I have I think I missed that part on your international business so if you could give some more light on that particular international business as to when do we see things basically fructifying?

Sandipan Chattopadhyay: Well, as soon as possible is the right answer. We are ready from every angle on our side but obviously it is contingent to the global situation in terms of the lockdowns and in terms of travel restrictions and stuff like that. So as of now international operations have not started but that



said even over the online system and all we have been able to garner some international deals which are in the process at a normal process. But our international operations which we talked about that has not yet started. We are on hold on there because while we had centered it around UK that is still not accessible to us from an accessible point of view.

Moderator: Thank you very much. The next question is from the line of Rajeev Rastogi from Velvet Lotus Capital. Please go ahead.

Rajeev Rastogi: Sir, what is the long term vision for the company? What do we ultimately want this company to be?

Sandipan Chattopadhyay: So I think we have stated this before, we do see that we are more of a value creator. So there are three channels of revenue that you can think of. One of course is the kind of value that we have due to our holdings in the startups and at this stage at least that surely will continue to be our main focus in terms of growth regulator wise what is the focus.

The second channel is services, which is building up and you will see that getting into a normal mode probably in another 9 months to 12 months. Probably 2022 is the right time to look at that as a services part which is focused on services and self-sufficient and the third of course is your products and revenues from products or sales of our startups. So in the long term these are the three revenues which will go up. We are not trying to target a particular revenue lot or some of that like a services company. So that is not our model at all.

Rajeev Rastogi: So is there any internal vision as to which of these verticals you want to focus more on?

Srinivas Koora: The verticals we have already said, right? Our main theme is health, education, agriculture livelihood. And our skill sets which are mainly on the data science part of it. We will stay within that part and well, whatever is the right opportunity at the right moment we will leverage that, but we will not get out of this mass market themes that are there to get to some niche markets and all.

For the moment that is the strategy. Once we go international operations and all other opportunities may present themselves and accordingly we will change. But for India at least we will focus and the data science part of it is our core focus.

Moderator: Thank you very much. The next question is from the line of Rudresh Kalyani, an individual Investor. Please go ahead.

Rudresh Kalyani: I have got couple of questions. The first question is the other income has almost doubled. What led to that? And the second question will be can you give a guidance on the growth for the next five years at least?



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Srinivas Koora: So to answer your first question whatever funds that we have the excess funds that has been parked in the mutual funds. That is mainly because of the mark-to-market where you are seeing about Rs. 35 lakhs of other income in our financials.

Sandipan Chattopadhyay: On your second question I would like to take that. What is the outlook for the company in the next five years? We will start it from around 2022 because that will be 7 years of our completion and 7 years of most of our first startups. We start expecting some tangible results from some of our startups in the next two, three years. See today we keep on talking about new investments on call, but primarily the settled ones like Fortigo, Mihup these are the main ones which were the earliest and now some of the other ones like Woovly and all are coming into place.

By 2022 we want to make sure that we believe that we have picked up at least 8 to 10 winners in our portfolio which have big winning potential and in a five year time frame we believe that at least four of them would be crucial in terms of those value unlocking. In terms of revenue and all 2022 onwards we should get into a regular beat of our services wing which almost will work like an independent part of it and that should have its own work passion.

And probably from the beginning of 2022 again the product and the sales led commissions that we get from our startups that should start trickling in, but we expect it to reach into a steady state somewhere around 2023. That is the more or less the planned outlook. It is better question to have a five year outlook which is better for us to do because that is more of what we are targeting. We surely are not looking at quarter-on-quarter.

Rudresh Kalyani: Can you give me a number?

Sandipan Chattopadhyay: Number of what?

Srinivas Koora: Sorry basically we cannot give our future number.

Sandipan Chattopadhyay: I will give you a number of the startups we are looking at. I gave you a number of the kind of potential we are looking at in terms of winners. What other number are you specifically asking?

Rudresh Kalyani: I was expecting a sort of CAGR number, compounded annual growth rate?

Sandipan Chattopadhyay: I do not think we are allowed to give that..

Moderator: Thank you very much. The next question is from the line of Om Prakash from MIV Investments. Please go ahead.

Om Prakash: Sir, in the opening remarks you have said that the fair value of investments have been compared with the March quarter, why not September sir?



- Srinivas Koora:** With respect to what, the investments?
- Om Prakash:** Yes sir, investments, fair value of investment?
- Srinivas Koora:** So fair value of investments we have compared it with December to December. I said December to December. Rs. 443 million as of December 31st 2020 to Rs. 292 million as on December 31st, 2019.
- Moderator:** Thank you very much. The next question is from the line of Ankush Agarwal from Stallion Asset Management. Please go ahead.
- Ankush Agarwal:** My question is how do you value the investments that you have made, is it every quarterly time frame?
- Srinivas Koora:** The net value (NAV) is done twice per annum, i.e. as on 31st March and 30th September. These are done on Discounted Cash Flow (DCF) method and keeping in view the last round of funding and also how the company is growing. Whether they are in the same growth trajectory, accordingly we get the DCF done by a third party.
- Ankush Agarwal:** Secondly, In terms of how do you see the company fairing over next five years and what kind of business model we are targeting? But on the same what you have given so the key positive is the product, second is the service and third is the investments. So on the product and service side if you can help me understand better what kind of revenues streams you are looking at like what kind of services and what kind of products, few of the products that we do currently?
- It is great I mean which we are developing along with some of our investee companies and we are offering it. So these are the kind of products that will go out and generate a revenue stream going forward and is that understanding is correct? And that will be the first and secondly what kind of services, revenue generation that you are looking at? If you can help me with that?
- Sandipan Chattopadhyay:** Srini, I will answer that then you can answer the other one. The first part is that there are two kinds of revenue generation streams. We are making our own products from Xelp itself and you can see the list of them in the investor deck as well as in the website. And there are a few more in the offering and the second is we have a revenue share model with some of our startups which are mostly B2C or in some cases B2B also.
- So both of these we club together to say direct sales kind of a thing that will come to us. As far as the services part as we said that because if you are doing services we might as well do it for the higher margins. So for the services that primarily focused on the overseas market as a pure services. The services we render to our startups we hold that part as part of the startup ecosystem itself.



Ankush Agarwal: So like what kind of services are that?

Sandipan Chattopadhyay: See this is basically essentially you may say automation solutions or solutions for integrating the ERP. In some of the services that we offer we have an additional advantage of being able to champion our startup programs. Let us say BFSI segment wants to build a call center monitoring software, the speech to text part of it we will work with Mihup than any other thing but the analysis part of it the data science part of it is something we may ourselves do or we may build the product which we work on jointly.

Some of the services that we have done in the past if you can take a track of it has been as valid as being able to manage a very high-volume advertisement management system which is linked to an ERP. So based on the position in the inventory how do you make dynamic ads based on products which are available in the inventory and not give products which do not show in the inventory. These are mainly for overseas.

For example currently one of the projects we are doing is for an educational NGO in US which is trying to find the effect of the scholarships they are giving to backward classes and they are progressed in light in terms of education .So these are varied and mostly one off. It is not a standardized thing we are still finding our feet. Probably in one to one-and-a-half year, two years we will have a specialized area. For the moment anything with data science and anything which is a logical solution, and which has the kind of a data science element to it, is what we are targeting.

Ankush Agarwal: Just one comment over here. So in totality if my understanding is correct what you are trying to do is basically be an helper or an incubator for startups either through providing a product or a service or being an investor like a strategic investor to the startups and that is where the entire business model will evolve?

Sandipan Chattopadhyay: I think we are not a strategic investor to be very frank. I have explained this but and we would like to think of us just the cofounder for the startups because we do much more than being just an investor. We actually do the dirty work of developing and building the product and working with the entrepreneurs for the product market we can go to market also.

Ankush Agarwal: And just one more thing. Do you see yourself facing capital either through equity or debt to fund your investment in the startups? Is that a thought that has been there on the company side?

Sandipan Chattopadhyay: Thoughts are always there. We will wait for the right opportunity. Yes, though things are there but we will not look at it from funding beyond the style of funding we have done except for when some of our startups mature and we believe that we do not want to dilute ourselves more and we have by reinvesting in the future rounds we want to hold on to a growth capital of ourselves. That is one thing. We may raise capital for developing our own products also. All avenues are open, and some discussions are already internally started.



Srinivas Koora: And that we take it up with the Board time-to-time based on products etcetera we will be informing to you.

Moderator: Thank you. The next question is from the line of Raghav from Ace Capital. Please go ahead.

Raghav: I have couple of questions, and I will just push it one-by-one. So whatever products that we have like DocX and xERP are we seeing any traction for other clients? That is my first question.

Sandipan Chattopadhyay: Yes, we are seeing some traction, some POCs and some projects already on board. In fact some of our paid projects have internally already become as the base on which we have expanded to give a particular solution.

Raghav: And that should provide us some impetus in terms of revenue visibility, right because we do not have to develop the product it is just the requirement and probably some license fees?

Sandipan Chattopadhyay: But there are different kinds of products. SDK is also a product. So which product type is something we find more market fitting based on our skill sets? That we will find out.

Raghav: And my second question will be we have started business with a leading school right that has got like more than 40 establishments in India. So that thing is it a temporary phenomenon because as I understand schools are opting for eLearning or distance education primarily because of Covid. So once in a year's time Covid situation is gone how do we see that business opportunity with us?

Sandipan Chattopadhyay: I do not think that change we have seen is irreversible. Personally I believe that this has been a great wakeup call to most of India to know that what problems they have faced because of Covid is something most probably interior India or Bharat as we call it are facing on a day-to-day basis. So I think this has been a solution that probably will last out much more and again the solution we are building is not at all for eLearning only.

It is basically to make sure that schools are able to manage individualized learning with the class based approach much more easily and in fact the model that we have is some of the parts we are already doing and all are also for class room presence using interactive boards and all. So I do not think the solution is limited to eLearning like you are thinking.

We have made a generalized solution for see what our philosophy has been that till now most educational system has been digitizing in education. So whatever was available offline they are making online versions of them, but this process is not changing. May be on the other hand they are trying to digitalize the education and saying that imagine that this is a new medium if I have these facilities and these technology tools in my hand how can I change the education by itself. So whether there are in class or at home education content is not there.



It is not fair to think that the teacher teaching in a class has no need for audiovisual elements to supplement her teaching skills. It is also important for a structured way of teaching so that you standardize and not let it be reliant on future overtly. The certain courses, certain assignments, certain assessments are done in a standardized way irrespective of the teacher who is monitoring it.

And that gives a little bit of a standardization to education itself. That has been the main focus of what we are trying to build. So in short we do believe that this is not a COVID based thing, reaction product only. It is there for long time.

Moderator: Thank you. The next question is from the line of Prithvi Ram from VPN. Please go ahead.

Prithvi Ram: One of the services that you are offering is like a voice to text promotion. Now my doubt is are you guys working on multiple voices at a time as you speak right now? Multiple users involved in this call right; can we process all these user's data individually or separately?

Sandipan Chattopadhyay: Okay just can I clarify. That is the charter of one of our portfolio companies called Mihup not Xelpmoc only. Xelpmoc does additional things on top of that analysis and to come back to your question in a direct question, yes, the product Mihup can separate out different voice streams and do individualized ones.

The product that you heard of that has been rolled out by Mihup into several parts in their call center and all they are stripping of the voice, doing voice correction, all those things are important. For example someone's phone rang when we were talking.

You have to take that voice off and then focus only on the spoken words of the individual and then also keep it tied to particular individuals. So up to three, four people we have tested because that has been the scenario which is what we are focusing on. For conferences and all we have not part of the solution yet.

Prithvi Ram: My second question is like in that work for multilingual that is our country has like some 21 languages like that?

Sandipan Chattopadhyay: That is the differentiation of Mihup. So as we told you that when you are means what has been done is now every Tata car that is being produced and manufactured goes with Mihup onboard and the whole car passenger, driver interaction is through local languages. As of now we are supporting four languages or any mix of them because in India we are not puritans. We do not speak pure Hindi; we do not speak pure Bengali or pure English.

And even the English is very Indianized which brings us Hindi, English words everything mixed together. So we went through a vocabularized way and the second aspect which is very important



for Mihup is it works in offline situation also. So you do not have to be connected to have your voice interpreted.

I suggest you to take a look at the Mihup site to get further clarification because it is really a good technology which I am very proud of that we could make that out of India and it was also one of the top 50 AI innovations in the world according to Bloomberg two, three years back when we started.

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

Omkar: Sir, my broad questions are broadly on the investments in the startups. I just want to understand at a high level what sort of thought process goes behind the mind when you make any investment in this startups? And next question is about how do you see your products being differentiated from other competitors in the sense when you go out there and then you try to get more clients or customers so what is that aspect which helps you guys to scale up your business? Is it like most of the pricing aspect or the kind of quality your products gives to your customer?

Sandipan Chattopadhyay: Okay I think the first question we have answered several times, but I will just give a short summary of it. You can look at the past transcripts at least for if there is a documentation on our side if there is it is there. So first of all we speak to our sectors, which is HEAL, Health, Education, Agricultural, Livelihood and we have another philosophy where we do not work in the same problems space with two entrepreneurs. So that is the first hypothesis.

We have few ordinant sectors and problem areas where we prefer, and we have some space for absolute things we have not thought of but we are completely interested. Once we have someone who is speaking like us then we have a way by which we decide to work with the entrepreneur. This we have explained in calls where we call it as physics, chemistry, math's problem.

The first is the directional thought of both the entrepreneur and us about that sector is in alignment. That is the first principle. Without that we will not work no matter how good the entrepreneur is. We have to believe in each other and that is the main thing. Second is the chemistry. Are we thinking of having a working comfort with this guy because unlike an investor we are not betting on the guys we are betting on the fact that together we can make something to it?

So whether we can comfortably work with them, whether we have respect for each other, and we think of things similarly or we at least have enough respect for each other even if there are differences we can go for it. All these are very important when you are planning to work together. That is the chemistry part. And then comes what we pursue as our value and how quickly should we take, what is going to be the cost is that affordable or not. Once these few things are done then we onboard and start.



Coming to your second question, can you just repeat the second question you had?

Omkar: So second question was broadly to understand like how does your product really differentiated?

Sandipan Chattopadhyay: That is not very different. Any product you succeed must solve a problem. How we differentiate is we believe we are better problem solvers and all that we are catching problems which are real pain points and not too many people have been able to give effective solutions for. So it is a mix of the right problem.

Omkar: Yes, my question was purely from a competition angle in the sense somewhere in the future down the line whatever products we have?

Sandipan Chattopadhyay: Competition is surely your lower benchmark. You have to be at least as future ready as your competitors. That is what you do but you do not follow your competition to build a me too product. You build the product based on the solutions and then you benchmark with the competitors especially if there is a shortcoming that you have made if the competition has done better.

Omkar: So one more last question was mostly from accounting per se like your investment revaluation whatever we do it via OCI so that is not done for this quarter, is it? I mean although there is some solid change in the valuations.

Sandipan Chattopadhyay: I think Srini just clarified that. Probably you missed that answer.

Srinivas Koora: It was done in March and September.

Sandipan Chattopadhyay: March and September.

Omkar: Okay that is something voluntarily opted by the company or that is how it is done?

Srinivas Koora: This provision is available, and we have also opted because three months is a very close time for all startups.

Omkar: Sorry sir, I did not get the answer?

Sandipan Chattopadhyay: Actually it is impossible to do it every month for every startups. So six months is a good one but if there is an event within a quarter like a fundraise and all that is an external event which is an exceptional event that we do capture.

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



Venu Resu: My question was like what are the main geographies that you are targeting for international corporations?

Sandipan Chattopadhyay: That is a good question. There is a twofold target. For the products we have already Made in India. We do things they have a good market in other Southeast Asian countries as well as Africa. So those are the structured products that we want to take and that is the call. But our services we have mostly targeting Europe for the moment and may be at later USA. USA is very crowded; Europe I think is slightly better and matured in terms of data usage.

So we think we have, and they are more oriented towards privacy and other things which we think is very important for doing good database good Real-Time based solutions. So we think our kind of skill sets and products that we have is better suited for Europe for the moment.

Moderator: Thank you very much. The next question is from the line of Kishan Tosniwal from DKMS & Associates. Please go ahead.

Kishan Tosniwal: I have two questions basically. The first question is with the employee cost that has gone up, I have joined it late, so I do not know whether you have answered it or not. So the employee cost that has gone up from September to the December quarter, is it that we are acquiring more people because we are seeing the revenue visibility or is it that that was due to COVID the numbers were less and now that has come up again?

And the second question is that the European company that we have floated if I remember correctly we have floated in September to December or may be somewhere there. We have floated one company in UK I suppose. So what is the revenue visibility from that company over a period of three to five years? If I could get that?

Sandipan Chattopadhyay: I think both these questions have been answered so I will just give a quick summary to it. The employee cost has three aspects which has led to the growth. There have been some people who have got an appraisal by which they have got a hike in their salaries. We have got in some new people as well and there was a onetime cost of giving a substantial amount of that increase that you saw came from an aspect for allocating ESOPs. I think about to the tune of about Rs. 30 lakhs. So I hope that answers your first question.

And the second question, we had taken the board approval for setting up our London subsidiary. We had not set it we have floated the company. We have taken the approvals. And we have already because of COVID situation held on to the plans because we cannot even access London right now.

So forget going and setting up a company. As and when the situation opens, and the travel restrictions and the safety increase we will go on to the part. At the same time we do believe it is a momentary dip that has happened, so we do not want to change our plans that is getting



delayed. We believe in our London thesis we will wait for it and we will wait this out and try this out and then opens the London office.

As and when it opens, of course there will be a kind of a declaration which we are compelled to give because of laws.

Kishan Tosniwal: If I may squeeze in with one more question if possible?

Sandipan Chattopadhyay: I think that the moderator helps to moderate. I am okay.

Kishan Tosniwal: Right now we are in the run rate of Rs. 3 crores to Rs. 4 crores so when are we expecting this run rate to go up or maybe I do not want a number for next year or something. If you could give a five years' growth rate roadmap that?

Sandipan Chattopadhyay: You missed out a significant part of the conversation. We have covered it and I have given a five year outlook.

Kishan Tosniwal: If you could give a CAGR of next five years that would be a great number?

Sandipan Chattopadhyay: You see we cannot give a number like that. I have given the hypothesis as to what we want to do in the next years and also said that historically that from 2022 first quarter onwards you will see that service is becoming an independent part which is having its own growth system. As of now service and the startups that we are doing we are sort of dialing in on the different ways depending on the opportunities but we will set up an independent part of an aspect for the services part and then that part of the business will behave like a normal services company.

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

Yashesh: What I would like to ask is that we have identified these key areas being education, healthcare and all so would we be sticking to these sectors or would we expand to new avenues being gaming or other areas which are not part of our core plan?

Sandipan Chattopadhyay: Of course we will change. Change is constant but for the moment till we have fulfilled our hypothesis. Because see these are also you must understand these are not just there they have a huge amount of cross pollination impact. So doing something for getting the thesis and jumping on to the new bandwagon is not something we want to get excited by unless we are able to increase the management bandwidth and all which is also a possibility which we are looking at currently.

But yes we surely think that upcoming areas like getting in to but remember one thing that for mass market solutions the themes we have is more or less all incubus. However, the 24 thesis



that we have we are constantly updating that but at only point of time we want to make sure we do setup 24 first and then we move on to the next set of 24.

Moderator: Thank you very much. The next question is from the line of Rudresh Kalyani, an individual investor. Please go ahead.

Rudresh Kalyani: I have got couple of questions. So what went really wrong with the companies which we have written off even after Xelpmoc acting as a cofounder in it? And what are the lessons learned from them and what are the steps we have taken to mitigate them in our future investments?

Sandipan Chattopadhyay: Okay let me first tell it that I have categorically told that expecting 100% success is impossible. If we do 35% or more, I will be very happy that is where our model works, money at which are working is good enough. But that said, we are right now hoarding at around 60% to 70% success. The essence that we get from failure, what we have learned about certain profiles or certain mentalities of entrepreneurs that are not comfortable with us.

We look at that now much more than our first set of investments that we did where those were quick learnings that are there. There are certain times that the idea may be great it may be a great product but it being a market reconciliation to know that if we make the product is there enough market?. Sometimes we get excited and do it if it sounds a great idea and we know there is a gap, no one has a solution. But just because there is a gap in the market does not mean there is a market in the gap.

And that market in gap analysis is something that we have been advised in some of our Board members especially the person who has coined this term "market in the gap" has been someone has been very instrumental in helping us understand how to analyze that and do it and that we do now rigorously across that part. There will be failures going forward also, let me be very categorical about it. And it will be in the range of at least 50% in the long run. So be careful and be clear on that and we are very, very cognizant of that. But that said winners should look out for the losses.

That is the first assumption. And the second is we will not knowingly do it just hiding that factor. We will try to push it to 50% to 60%, 70% as much as we can but we will be happy if we can hit 50% but at the same time if we target 33% only then surely we will end up with fantastic.

Srinivas Koora: And just by the way for Q3 FY21 we have not written off any of these investments

Sandipan Chattopadhyay: As Srini has said which we have missed that we do our book calculation and valuations only in March and September. So yes, we have not done it, but we have not crossed that bridge yet either. So may be when we do it in March some of these companies which we have not yet at all looked at may either go through an erosion of their value as per our perception or may be written off.



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Moderator: Thank you very much. The next question is from the line of Subir Jain from RMSK Financial Services. Please go ahead.

Subir Jain: Actually, my question is regarding Woovly. If you can brief it as you briefed in the starting there are some influencer who are getting paid or who are making money on Woovly. Is this money being paid by a brand or Woovly is paying out to them?

Sandipan Chattopadhyay: No, Woovly is not paying them. There is a policy; I do not think any external person has been paid at all. We do not think that has been the model, but you can look at the more details of it on the Woovly's site as to how it exactly works.

Subir Jain: Because I actually tried to look on the Woovly site as well and try to promote it also in my friend. I am an investor in your company. I mean if Woovly do well then, we also do well.

Sandipan Chattopadhyay: Absolutely. And in fact many of the startups who have innovative products and they need a market which are using Woovly. So a lot of them and they do share much more profits than the biggest. That has been one growth rate but at the end of it there is a very strict quality process and again there is a pure evolution that happens which make sure that the best products only float up to the top. We do not end up recommending a bad product just because it is commercially better for us.

Subir Jain: Anything related to Woovly I have to directly mail to them?

Sandipan Chattopadhyay: No, you can mail to them. We will try to set it up for sure. We are absolutely there to help our startups also. We are not hands off but take a look at it and then you can reach out on our investor relationships and a suitable person looking at the opportunity will surely connect you.

Subir Jain: Second thing, is our company Xelpmoc is working on Tata SuperApp in some way?

Sandipan Chattopadhyay: No, not at the moment at least.

Subir Jain: And secondly, one company you acquired Catalist Inc. in Delaware I think are long time back for a pharma market player, means you just want to start as a pharma marketplace, is something happening out there?

Sandipan Chattopadhyay: Yes, that is there. That is the US startup that we have which is looking at all news and all other information through new clinical stuff and all and trying to get a future market for EBITDA.

Moderator: Thank you very much. The next question is from the line of Raghav from Ace Capital. Please go ahead.



Raghav: Since long time when I remember a few quarters back we said that we are looking at replicating our business outside India are we focusing on our neighbors like Nepal or Sri Lanka or Bangladesh?

Sandipan Chattopadhyay: Southeast Asia and Africa still is our focus. We have some buyers on mid Africa as we speak, and we are looking at Bangladesh also through some ventures and all those things. But there are other markets but Nepal and all we have not yet gone because we do not think the market size is large enough for us to go and look at it.

People in the large homogenous market we are targeting that first before going to Nepal and all because though they are small markets there is not too much similarity between let us say Nepal and Bangladesh or Nepal and Bhutan. Those will be something when we have readymade products then we will prefer to go there.

Raghav: Okay so our focus remains on probably few selected developing countries, right?

Sandipan Chattopadhyay: That is correct.

Moderator: Thank you very much. Ladies and gentlemen, we will take our last question for today which is from the line of Manoj Bhalla, an individual investor. Please go ahead.

Manoj Bhalla: I am trying to get a better understanding of your engagement with your industry companies so could you share a little more like in terms of what is the work that you are engaged with them now so are you there technology part or have they developed their own technology and you are supporting it? At some point in time do you expect to evolve as pure financial investors? How does this whole relationship move?

Sandipan Chattopadhyay: Well, mostly what you said is right. We are more the innovation partners and the initiation engine for them and once it reaches what we call the the Business As Usual state (BAU). Most of them set up their own technology companies also but our involvement comes in whenever there is a product extension or a product innovation that is needed. We work in tandem with the teams and do it. Now how it works is not all of our startups is in the same stage of maturity.

Right now for example there are four, five or may be more startups which will not have a technology team at all. We are the only technology team they have and maybe there are two, three more who have some technology people we are still actively involved in. And may be five, six where we are only called on an assignment basis for the growth part.

So the relationship will keep on nurturing like that and at any point of time I think as the heat goes as we can call it from a medium sized market phase at any point of time we are looking at probably three to four intense startups. There are two, three other who are in the self-mode who



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are building the product. And most of the others have matured where we are more in a supportive role.

That said there are certain sectors where the startups cannot set up a place, there we do have a dedicated team planned which we will continue with the startups. We have not come to that level where the startup has matured by the context of a hypothesis again.

Moderator: Thank you very much. As there are no further questions, I now hand the conference over to the management for closing remarks. Over to you.

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. That is all from our side. Thank you.

Sandipan Chattopadhyay: Little bit of a sentimental thing from me. I insisted on this date because today incidentally is exactly two years of us going public. So I wanted to make sure that the results have declared, and we have the analyst call, sorry yesterday analyst call so exactly on that path. It has been a phenomenal journey, March better market acceptance and things like this. But I think that I am still looking for people who we fill the same dream and understand that whatever we have promised we have done our best.

I think in most cases thanks to our very capable team and able management of Srini and Jason we have been able to meet those deadlines though my extensity is going for production all we have been able to balance it among the three of us and that has been a great journey and we hope to have many more such portfolio aside of us. Thank you so much for being part of this journey.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Xelpmoc Design & Tech Limited, that concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.