"Xelpmoc Design and Tech Limited's Q3 FY'22 Earnings Conference Call"

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Ravi Udeshi: Good evening to all of you. Welcome to the Q3 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 discuss the results and the outlook for the future going forward, we have the top management of Xelpmoc Mr. Sandipan Chattopadhyay – Managing Director and CEO, and Srinivas Koora - CFO. Before we start the call, I just would like to remind you of the Safe Harbor clause applies. And with that said, I would like to hand over the call Mr. Srinivas Koora, over to you Sir.

Srinivas Koora: Thank you, Ravi. Good evening, everyone. Welcome to Xelpmoc earning call for Q3 FY22. I hope you and your family are doing well.

I am pleased to inform that we have maintained our business momentum while focusing on sustainability of operations. We continue to move ahead with our execution plan, which is centered on identifying the target sector that corresponds with our HEAL approach.

Operating revenue for the quarter was INR 18.3 million as compared to INR 35.3 million in Q3 FY21 and INR 11.2 million in Q2 FY22. As stated in our previous quarter, we did see an increase level of face to face interaction with our clients leading to a sequential revenue increase of 63.8%. Operating EBITDA adjusted for ESOP, for the quarter was negative INR 12.2 million as compared to INR 11.5 million in Q3 FY21 and negative INR 12.9 million in Q2 FY22. The net loss for the quarter was INR 29.9 million, partially due to INR 21.4 million of the ESOP expenditure this is in comparison to net loss of about INR 33.7 Million in Q2 FY22 and a net profit of INR 10 million in Q3 FY21. As stated, we expect to build on this performance in the current fiscal.

Our team size is 77 including employees, interns, consultants as compared to 68 in Q2 FY22. Till date, we have served 51 clients and our sustained interaction with the clients is the foundation for good performance, the fair value of our investment in portfolio companies stood at approximately INR 611.2 million as on 31st December 2021 as compared to INR 436.3 million as on 31st December 2020.

Our portfolio companies did well by embracing the new opportunities, Mihup has onboarded one of the leading Edu Tech companies in India, as its customer for speech analysis. Mihup’s API is now available on Azure marketplace, one of the foremost technology stores thus making it accessible globally. While Woovly enables its 5.5 million users to shop socially with the help of about 19,000 content creators. Around 13,000 influencers create short video contents, resulting into 220 million video views per month. It has gained increased followers on social media platforms like Instagram where its follower base has increased to 80,000 in a short span of time. It has clocked a GMV ARR of about US$ 4 million which has grown by 70% in Q3 FY22 on a sequential quarter on quarter basis. A substantial portion of this has translated into revenue and is seeing a good traction in the coming quarters. Woovly is looking at expanding its reach by adding vernacular language and tap the international markets in future.

The other portfolio company TSIM (The Star In Me) is a global career advancement platform for women and a diversity partner for organizations has increased traction with the leading corporate clients being on boarded recently. It serves 20 plus multinational corporate clients across IT, ITES, BFSI, pharma and consumer goods sectors. It has onboarded 8,000 plus members from 69 countries. 90 plus leadership experts and coaches from 10 countries coach these members to actively manage their career and help in charting their growth path. It has launched TSIM premium services with the two corporate clients for coaching 100 plus employees. It has recently sold its first enterprise sandbox model to a blue chip corporate for their employees. The company's revenue has been contributed from enterprise as well as a B2C business. Slate is creating India's most comprehensive SME data repository by offering them a real time invoicing payments and reporting platform that seamlessly integrates with other accounting packages. Slate presently has 10,000 users including 1,000 CAs and tax advisors that bundle Slate’s platform as a co branded services to their own customers in order to automate reporting, inventory, management, invoicing and collections and other financial management functions and tools. Slate has partnered with over 500 resellers and software distributed to reach out to the end users thereby ensuring that Slate’s client acquisition cost is the lowest in the industry.

Coming to our subsidiaries, Signal Analytics Private Limited, a wholly owned subsidiary of the company as raised INR 52.4 million by way of preferential allotment of pre-series A cumulative compulsorily convertible preference shares to new investors. Thereby Xelpmoc shareholding in Signal has change to 91.95% on a fully diluted basis, and it has now become a majority owned subsidiary of Xelpmoc. During the quarter the company has incorporated its wholly owned subsidiary, Xelpmoc Design and Tech Ltd UK for facilitating its international expansion plans. Madhu is leading the international operations. He has extensive experience in working in the convergence of Finance & Technology and in Private Equity firms. We expect that our presence in UK will enable Xelpmoc to deliver services to international startup focusing on mass markets, soft sciences, man machine interfaces, all promising areas over the long term. We have also started our office in Hyderabad which will provide further impetus to the company's operations going forward.

Now, let me come to the outlook for the remaining fiscal of 2020. We see the promising growth in our portfolio companies, given that they're concentrating on the unaddressed area of the economy. We expect our investments including in FortiGo, Mihup, Woovly, Signal to expand their access and reach and enter the new generation of growth. We continue to maintain our cautiously optimistic outlook given the underlying economic volatility. With this now I request Ravi to open the floor for question and answer.

Ravi Udeshi: Thank you, sir. I request participants to raise their hand for the Q&A. Please note that first preference will be given to those who raise their hands on a first come first served basis and people who ask on the chatbox they will be taken up last. We will wait for a moment while the question queue assembles. We have a question from the line of Mr. Rudresh Kalyani. Mr. Rudresh please go ahead.

Rudresh Kalyani: Hi Sandipan, I got a couple of questions. How much revenue are we expecting from the services domain one year down the line and what will be the margins with respect to it?

Srinivas Koora: Frankly speaking, right now, we are not in a position to comment anything on the future numbers. But yes, as far as the services as the business as we have commented in our previous analysts call we are looking to see some traction in Q1 of next financial year.

Rudresh Kalyani: Okay. And second question is about the customer churn rate as well as the repetition rate.

Sandipan Chattopadhyay: See the services part that we will take, we are not looking at high churn there but in the past what we have done is we have won projects and all and they were more of solutions than anything else. So the nature of business would be slightly different from the new customers that we are trying to acquire and building the pipeline from there. Some of them will at least be long term contracts. Till now what we have done has mostly been innovation projects, which has had its own life, and then it's sort of handed over and we go along. I guess it will be a mix of both this but for sure, we are looking at some long term contracts which would have tenure of more than a year, two years, a normal software practice. So that mix is going to come in from next financial year with the new customers coming in.

Rudresh Kalyani: That's it from my end. Thank you.

Ravi Udeshi: Thank you. The next question is from the line of Ishit Desai. Ishit please go ahead.

Ishit Desai: Hi sir, thank you for the opportunity. I wanted to understand more about our partnerships with domestic VC ecosystem, because our investments in this early stage startups, as we move forward we are going to work with more and more this domestic and international VCs. So are we working on any partnerships or deeper relationships with them or where we can return some join programs to get access to some early stage opportunities or entrepreneurs, so just wanted to understand on that.

Sandipan Chattopadhyay: As a formal relationship, MOU stuff kind of thing if you're talking absolutely no, we don't have any such partnership with any VC because not do we want to do it. In terms of meeting and taking our startups to the VC universe in general, we have been doing it and if you notice, most of our startups have been funded by pretty significant VCs in that part. That said every VC has their theme and in many VCs sector allocation or the kind of company profile they want and all, we don't necessarily fit in for many of our startups. So, where it has been that we have not really had some purchase when certain kinds of VCs but on an overall basis, VCs, family offices which we are trying to explore, I think we have had nice relationships and the fruition is visible in terms of number of startups that have already been funded.

Ishit Desai: Sure. Sir, also the recent funding on Signal Analytics can you help us when the investor name was invested in Signal Analytics?

Sandipan Chattopadhyay: I am not sure how much we can diverge but Srini, I leave it to you for that part.

Srinivas Koora: So, most of these investors are individual investors, and who have been closely working with us for last three years and who were looking at Xelpmoc and its growth whatever we have achieved. So these are the investors who have invested and all are individual investors.

Ishit Desai: Okay, so there is not a VC investment or institutional investment.

Sandipan Chattopadhyay: No. I don't think we are right now at this moment of time very keen on VC investment in Signal. Probably in the next to next round or so then we will look at for capital.

Ishit Desai: Sure. When I look at the Signal Analytics valuation, it's still at the book value in the presentation, when you've raised in at a Rs 60 cores valuation. Any specific reason of not marking it up?

Srinivas Koora: So basically, for associated entities and subsidiaries it has to be at the cost price, not in the market price as per the accounting standard. So whatever investments you see in any of the associates or subsidiaries, you will see at cost and not at the market value.

Ishit Desai: Even for subsidiaries right?.

Srinivas Koora: Yeah.

Ishit Desai: Okay. One thing I want to understand, sir, in terms of our portfolio, if we were to break up between companies which are at before annuity, pre revenue and generating revenue, so what will the break up, say roughly. I'm not looking for an exact number, but the broader contribution amongst them.

Sandipan Chattopadhyay: Now that we have some maturity, I would say 30% pre revenue and 70% post revenue but not necessarily non burning, most of them are burning still. As we said that this year will be a transition year, some of our startups would move into operating positivity.

Ishit Desai: Noticed, I come back in the queue. Thank you.

Ravi Udeshi: Thank you. The next question we have is from Mr. Venkat. Mr. Venkat I have unmuted you please go ahead.

Venkat: Thanks for the opportunity. So the question is, we made like $11-12 million in revenue for this particular quarter. So, what would be the untangible revenue say for instance, when our resources actually or our team members rather work in other companies, so there is a value associated for their work right, per hour or per day rates. So there should be some additional income that must have accrued. So what is the additional value that you actually associate?

Sandipan Chattopadhyay: We don't account in that way. So as you rightly said, there are certain parts of it which there is a margin built into it and we don't hold equity in those parts. And where we hold liquidity, we are doing it at a cost factor, where margins are non existent. So effectively there we are sort of monetizing it over time on the way the company is growing, and the way the valuation of that company is growing. On a month on month basis it's difficult to accumulate that and give a benchmark to it because the chance of success or failure depends on how the startup would do that's why we do it in a lump sum. And the result of that intangible gain that you were saying is basically palpable in the portfolio value increase of our holdings but all of the profit comes from the portfolio company services that we do, basically. So in a way, the normal services are the ones which subsidize the portfolio services.

Srinivas Koora: And to add what Sandipan said, basically, we don't do that, like deploy 5 resources to 1 company and charge them with 20% margin over and above the costs, we don't do that. Basically whatever we do , we build an end to end solution even if it is services based, that too unless and until there is some sort of an innovation which we can use it for startups.

Venkat: So, how do we value the contribution of the team members actually because we are just charging whatever you mean to say that we are charging just cost to the employees, is that what we are saying.

Sandipan Chattopadhyay: To the startup ecosystem where we hold equity, yes, we are charging the cost of the employee including the overheads just as a zero sum game. Whereas when we are doing services project there is a markup, on overall margin that we make overall, not at a per employee basis, but on the overall effort that we have put in there's a markup and there's profit margin to that part.

Venkat: So what is the service component out of this one.

Sandipan Chattopadhyay: The customer type determines the service. Broadly there are projects where we don't have any equity, that's pure service. We're not doing it for any other reason, but for profit.

Venkat: Okay, so if I take this number on an annualized basis, per employee revenue is coming to like $12,675. So which to me, it looks very low actually for a company which is highly technology.

Sandipan Chattopadhyay: So you have to add to that the portfolio increase value also right. Divide that also by employee.

Venkat: Yeah, but adding that as well to it will not add so much because we are just adding Rs 61 crores more which again, we are not monetizing now. We would monetize it whenever it goes public or something like that, whenever somebody buys the equity from us.

Sandipan Chattopadhyay: Yeah, that is the whole point of this company, but Rs 61 crores divided by 75 heads is quite a significant bump right on the $12,000 that you said.

Venkat: So that might add another $10,000 or $20,000 not much actually for Analytics. See when I look at the competing companies, you know, which are in similar field, I don't want to name those companies. By but they are anywhere between $65,000-75,000 per year. So, how do we fill this gap?

Sandipan Chattopadhyay: We don't, we are looking at the value creation completely and wherever we are doing profit I'm sure we are at par with them. Wherever we are taking the part of creating wealth there we are playing the long wait game. That's a risk we are taking.

Venkat: Okay. So when are we going to see substantial growth from a growth point of view?

Sandipan Chattopadhyay: The services part as a discipline action, we are only pushing from first quarter of next financial year. So April onwards, there is a special practice which is only looking at services and the revenue mix which is probably Srini can correct me, let's say what 70:30 today, 70 points towards our portfolio company. We hope that goes to 50:50 or 40:60 kind of a breakout in the short term.

Venkat: Okay, sounds good. Thanks very much.

Srinivas Koora: Its 60:40, 60 coming from the portfolio companies and 40 coming from the services company.

Sandipan Chattopadhyay: That's the revenue in terms of money, effort wise probably 80:20

Venkat: Okay, thanks for the clarity.

Sandipan Chattopadhyay: I think it's a very important question. And by the way Venkat, that is a differentiation of Xelpmoc. We are not trying to only build margins we are trying to build wealth. See you're looking at an average out holding but if you look at the vintage based holding and accumulate five to six years rotational part where the real value unlocks, then you will realize that the per capita income is significant even if you amortize it over multiple years.

Venkat: Okay, thank you very much.

Ravi Udeshi: Thank you. The next question is from line of Mr. Ashok. Mr. Ashok, I have unmuted you please go ahead.

Ashok: Hello, sir pleasure to talk to talk to you. So during one of the earlier conversations you mentioned that you're in discussion with some company which deals with Metaverse? Is that still on the cards?

Sandipan Chattopadhyay: We said we call it virtual if I remember myself, I said Metaverse is more of virtual. Yes, that’s on the cards.

Ashok: Great. Any new company which we are talking to in terms of for portfolio investment at this point in time?

Sandipan Chattopadhyay: We’re always talking to new companies we have told the sectors that we’re talking in but as an when they mature and they’re sort of disclosable, we would disclose it immediately on the official channels onto that part. As of now, whatever was disclosable we disclosed but remember that for every company that makes it to the notice in BSE, there are 5-6 companies which have come from the funnel 30 odd companies, which have not really matured. That’s a patient process with high attrition, but that’s what keeps our stock as healthy as we possibly could do logically.

Ashok: Okay and we have also set up the Hyderabad operations?

Sandipan Chattopadhyay: Yes.

Ashok: Have we started to take clients for that?

Sandipan Chattopadhyay: So I'll tell you what happened. So personally, I relocated to Hyderabad because when we had senior people joining in they were Hyderabad based and it made sense that we all work together for the first 2-3 years when the culture sets in. So basically, this is becoming the corporate office and we are running the business from here. The Bangalore office which is more towards a tech production that continues to do it, actually there are very few projects which is not happening some quarter or the other from all the 3 offices together. Each of us have a specific role to play design, planning, resource allocation, budgeting, innovation that happens from Hyderabad and all that stuff, the tech innovation and all which is traditional tech that happens in Bangalore, data science and some functions of things that we do for transactional part of the technology that happens out of Kolkata, that's broadly how we do it. It is not like Hyderabad office is a separate SBU, Kolkata office has separate SBU. England obviously will have a separate billing and that's a strategic business unit, but these are branch offices which are functional and of course they are also built so that we can tap onto the local talent, wherever we get good talent they have three options to join. That's the main thing.

Ashok: Thanks.

Ravi Udeshi: Thank you. We have a follow up question from Mr. Ishit Desai.

Ishit Desai: Sir, I wanted to understand in terms of our deal pipeline, so typically how many number of companies do we evaluate. So what's the ratio when it comes to final screening and success?

Sandipan Chattopadhyay: So I've made disclosure before but I'll recap it, but things are changing. Till now, we didn't really have a marketing department. It was all incoming and as requests came in, we used to service them. Now we have somewhat of a marketing channel we have some sort of a target and we are sort of reinvigorating ourselves to those new norms. Hopefully that is settling in and as planned from April onwards, we'll have a more professional approach towards marketing, where the deal funnel and all would be more or less systematized. That said, please do remember that people know us as an innovative company and there are going to be many incoming queries where people feel that okay, let's try with Xelp if this problem has a solution at all, and in many cases we are often the last recourse where people have tried for some time it has not worked out and they are taking a chance with us or they have an innovative new idea and think we are the only man enough people to listen to it with patience and try to fruition in it. But we are changing that some standard projects are also coming in now. We have told of our ambitions and surely my focus is to try to get some government contracts or government related contracts. I think now we will get into more of a systematic rhythm where more discipline will be seen on that. So we hope that we will be able to at least look at 8-9 new clients per month, of which we hope that in the first few things we'll be able to convert, 1-2 size of the project is different, that's a different ballgame altogether and slowly we'll match your funneling and all processes. So given the manpower we have planned, that's a minimal part that we want to prep. Remember these are not set projects these are all conceptual projects as Srinivas was saying, it's an end to end delivery part that we are only focused on. At no point of time are we trying to do skill supply or our supply of manpower purely with no intent or solution in place will skirt those markets and that gives us a need for more focus, that's a part that we are happy with. Coming back to your question we have had this is something I can disclose, we have had some success already in the UK and US markets. There are projects which are ongoing and they have been on boarded in the recent past and I think we more or less are sticking to our plan. We will see how it goes but till now nothing worrisome beyond what we have planned. But of course we are always greedy. We hope we can strive and push it more and grow at a faster pace.

Ishit Desai: The question was more around startups and portfolio companies, at how many you typically evaluate before investing?

Sandipan Chattopadhyay: Startups we take up at a very different respect level. Now in startups as I explained before that we have set themes and set sectors that we do in. A common theme is they all are data science dependent and they are targeted to the next 500 millions levels and more or less we stick to the forte of health, education, agriculture and livelihood. If you look at our current portfolio you will see that education has been the main focus in the last 7-8 months mostly but in medical we almost have non existent so that should tell you the gaps we are going to focus and fulfill. Now we don't have a number that we keep in mind we keep our thoughts and constantly meeting with entrepreneur's norms. They're the kind of people we get to finally get excited to work with that is like a 3-5% chances. We keep on meeting startups and all but unlike a financial event, we actually have to say a lot of psychological parts that we can add value to them, we respect each other we can work with each other, so that is there. That said even there we are trying to discipline, there are very senior people who have joined who have sort of we have discussed the value and we are learning the value of discipline, having a target. I think we would see some numbers per quarter basis coming probably from the next quarter we'll have a better plan and as and when we have a plan as and when we have an action plan, what we're going to do, we're going to tell it to you people and then do it. We are not to hide it and then try to do.

Ishit Desai: Sir in terms of number of investments made, I'm only talking about startup portfolios now. How many write offs or how many valuations have we lowered down in terms of percentage of total investments made or numbers whichever .

Sandipan Chattopadhyay: Broadly percentage wise I can tell you it's between 25-33%, that's my thinking. The exact numbers Srini can probably tell.

Srinivas Koora: Basically what we do is, we do look at every quarter on a quarter basis the performance of the portfolio companies, in case if they're not going anywhere, or if they're in the wrong direction we do write off. That's the reason why in case if you look at our balance sheet, every year you will see one or two portfolio companies which we have written off or in case if they are not going anywhere at times there is an opportunity we also do an exit.

Ishit Desai: Understood and have you looked at trying to expanding bandwidth to sectors like say direct to consumer which again has a very strong data science role to play where in data of customers feedbacks are of great importance which are of retail. Have you looked at going beyond some of these industries?

Sandipan Chattopadhyay: All the time, as I said that we don't look at sectors per se, as long as the basic tenets are met that we are serving the next 500 million primarily and it's affecting one of those health, education, agriculture, livelihood sectors or in general purpose technology is something which is multilingual or video audio based we are always looking out. So we look for the entrepreneur more than the sector focus to be very frank and yes, they happen to be in this sector. So for example, a B2C is a marketing buzz word. We explained of Woovly and all, it's an enabler of B2C. So we already have something on that space. Would we look with eagerly at someone who's trying to do B2C venture in let's say, a kind of input supply to farmers, absolutely we would be excited to work with such a partner but the enterprenuer has to make sense to us.

Ishit Desai: And the last question from my side. In your existing portfolios, someone who is very decent state but getting very good traction or something you're very excited about, given the initial response are there any portfolio companies currently beyond the ones that you mentioned.

Sandipan Chattopadhyay: Not a portfolio company, but the structure that we have formed for Signal and the response we have got and the kind of entrepreneurs we are getting to interact some of the things that we are already more or less looking at closing, I think it has been a pretty good experience much better than we thought.

Ishit Desai: Sure. Thank you sir.

Sandipan Chattopadhyay: Please remember Signal is at least a cluster of four startups under it.

Ishit Desai: Got a broad sense from what you tried to explain last time. I think this is the best we can understand right now.

Sandipan Chattopadhyay: We also don't know everything, we are figuring out and we know that we are going to tackle a sector instead of tackling one startup at a time and having a problem in making them cross pollinate. So we are trying to root out the problem at the base and we are learning on the way but till now, so far so good, better than expected.

Ishit Desai: Thank you so much and good from my side.

Ravi Udeshi: Thank you. The next question we have is from Dhwanil Desai. Dhwanil please go ahead.

Dhwanil Desai: Hi Sandipan, good afternoon. So, again, pretty basic question, basically wanted to understand how do we decide about exit from our existing investment is there certain scale, certain valuation, I mean what are the kind of things that you look out for scaled up investments, money that we are put in has multiplied. What are the parameters on which you will decide that we will make an exit? Follow up on that or a related question on that, let's say there are investments which, you know we are in fourth or fifth year, and they are scaled up and we make an exit and we come out with a significant amount of cash. What do we do with that? I mean, is there any thought process around what can we do, what should we do with the money that you get from exit?

Sandipan Chattopadhyay: So, I will take your first question first, I've always said that we don't believe that less than seven years of any startup we would look at it, that said this is the year some of them will turn that magic number and we will look at it, but we essentially would always do it on a case to case basis. We are not mature enough to have a set principle or a set numeric approach to it. We have started thinking on those issues now because the maturity and the vintage of our startups reaching that seven year age, but there are always exceptions, we have taken exit, we have written off some of these things that's on a case to case basis based on what we believe is are we adding more value, is these something that we think that we will do it, should be blocked this sector or should we give it a cooling period for some time so that we can re enter it and we have probably achieved whatever we could in this space that maybe there. Coming to your second question, my first reaction is that we are in the path of growth now. Any money coming in, I would rather want to deploy it for other growth opportunities than anything else, at least for the next 3-4 years. That said that's my personal preference, we are a well governed body with the Board coming in and at any point of time the Board suggestion is final. I have no prior inkling to it, nor do I want to have it and I do believe the Board is also not a very set board, they are not people who are wishing to do it by the rules and they run through rule books. They look at the entire structure, they look at the environment and make judicious and very mature decisions which I think will take the Company forward. But my innate reflexive intention is to go for growth at least for next 3-4 years.

Dhwanil Desai: Probably I will rephrase my question on the second part. So I fairly well understand that we are on a growth path, and we would redeploy that capital for growth, so I think that it makes a lot of sense. The question is that whether we have enough opportunities available. Let's say you get an exit of Rs 25-30 crores and our typical ticket size is less than 1 crores, so one way to go is that you don't dilute yourself in the startups which are scaling up well or you make larger ticket size investments.

Sandipan Chattopadhyay: Or we don't take investments right? That's also the third option. So let's take the comparison of the latest instance that you have, Srini how much did Signal raised right now?

Srinivas Koora: Rs 5.24 crores.

Sandipan Chattopadhyay: So that means we could think of five Signal like structures. We have the idea capacity for that, we may not go for the first round of funding for those five clusters if we get Rs 25 crores.

Dhwanil Desai: Okay, got it.

Sandipan Chattopadhyay: The idea is a more premium factor for us. I don't think money has been a constraint for us, touchwood. When we have got a good idea when we believe in something raising money has not been there. Yes, we have always liquidated ourselves more than that. I surely would focus on seed and pre seed stage funding and deploy money as much as possible in that stage then try to do a secondary follow on existing investments intuitively, that said there are some of these building blocks which are our startups which have strategic importance for us for our future plans. We may lengthen our equity there if the situation arises and we have ample money to make significant depth. It's all situational, I really don't have a strategy I'm telling you if then else conditions which all the possibilities exist.

Dhwanil Desai: Understood, the only reasonable assumption to make is that we will have enough ideas to redeploy that capital.

Sandipan Chattopadhyay: That we are sure of, to be very frank, we have cut our coat according to our cloth and we have always been frugal, but if you give us a lot of cloth, we can make a lot more coats.

Dhwanil Desai: Got it. And second, just I don't know how much feasible it is, but some of the startups where the scale is happening. Is it possible to share some operational metrics so that we get a sense?

Sandipan Chattopadhyay: I think we do share and Srini did summarize some of the key ones in the beginning.

Srinivas Koora: We do share whatever is in the public domain.

Sandipan Chattopadhyay: Even in the investor reports and all key metrics of key startups are given.

Dhwanil Desai: Okay. Sure. I'll go through that. Thank you.

Ravi Udeshi: Thank you. We have a question from Amuthan Iyer. Amuthan please go ahead.

Amuthan Iyer: Good evening and thank you for this opportunity. With respect to our own products, the ERP solution, DocuX and certain services that we would be offering, how dependent are we on travel restrictions, like opening up completely? So the extended question is if we become a kind of a free world in terms of travel, would that kind of scale up very fast?

Sandipan Chattopadhyay: No, I don't think that's a dependency at this stage for our product suite. But it's a good question. Some of the interest, some of the pipelines and some of the existing customers are overseas. We are taken as a service project but we're using some of the product components as of now. The real constraint is that when we go with the product market full fledged it we want to deploy a sizable, dedicated resource. At this point of time, we decided that it's better spent to have the management bandwidth and those resources focus on the servicing sector improvement and our portfolio companies for the moment. As I said, next year, third quarter onwards, we'll relook at the product seriously, in between a good luck event happens and we get the chance we'll exploit it, but as a focused intervention and our resource deployment. We don't see it happening before next year, third quarter.

Amuthan Iyer: Is Hyderabad office getting any extra manpower? Are we recruiting for the design development?

Sandipan Chattopadhyay: We recruiting people and we are saying that you need to work with us in person, but you are you're free to choose any of the three locations Kolkata, Hyderabad or Bangalore. Certain functions like product design thinking and all were the key management people including myself, Srinivas were involved those positions are only for Hyderabad.

Amuthan Iyer: Thank you so much.

Ravi Udeshi: Thank you.

Satyam Gupta: I'm Satyam Gupta. I'm shareholder of Xelp. We have three products, do you plan to launch new products.

Sandipan Chattopadhyay: We have not even launched those three products. We have just built it and we plan to launch yes, those three products and there is space in our minds for two three products. One of them itself could be more of a venture by itself, which is 100% owned by Xelp.

Het Chande: Do we have a long term vision where the revenues from our services business will be used to invest in startups?

Sandipan Chattopadhyay: Absolutely. If we make enough profits from that then yes, we would do that.

Het Chande: Sir, attrition rate for Q3.

Sandipan Chattopadhyay: Not very high but we have had some attrition. And some of the attrition is kind of discipline led. We have seen that some people are reluctant to come back from work from home to work from office scenario and we are extremely stringent for our culture, that is an absolute non compromisable thing for us.

Srinivas Koora: In fact, the overall count has gone up from Q2 to Q3.

Sandipan Chattopadhyay: Attrition can happen and we could augment with more. We have had some attrition but more on the fact that we believe in work together than work from home and that's something that we're not letting any other precedent or any bad precedent or any special favor being done to anyone.

Het Chande: So the products are not launched yet. We are only providing services as of now?

Sandipan Chattopadhyay: Okay, yes and no, the products are more like component inventories now. There are components when we provide a services business we often use that component readily and we prior intimate the customer and we showcase, hey we have these components ready we'll extend these things to do it but you still have to pay for the overall bill of it.

Manish Agarwal: Do we have geography wise service revenue breakup?

Srinivas Koora: So basically in case if you are looking at India versus overseas, close to about 60% revenue comes from India and 40% comes from overseas for the previous quarter.

Manish Agarwal: And Sir when will be profitable as sustainable basis?

Sandipan Chattopadhyay: We are anyways profitable but if your meaning believe that when are we gone have green numbers only in our path, I think probably sometime next financial year third quarter onwards, we can hope to have that part.

Srinivas Koora: So Mr. Pavan in case even if you look at it we do hire a lot of seniors. If you look at breakup between the salary versus the ESOPs, we believe people who can be with us for a longer duration who believe in commitment, that's why we have given ESOP. So, if you look at even Q2 or Q3 or Q4 as we mentioned in the Q1 of this financial fiscal year, you will see ESOP expenses on higher side, even for next fiscal year as well. But yes, as Mr. Sandipan said that you can see profitable even including ESOP in next fiscal year, maybe in Q3 or Q4.

Manish Agarwal: So do we have a recurring license fee on the product components?

Sandipan Chattopadhyay: No, as of now, no, we keep it as it is, we don't give them upgrades naturally, unless it's a good customer and we want to be in the good books. We don't have a strategy for lifetime monetization of it.

Manish Agarwal: Any crown jewel in the investment companies if you can highlight that?

Sandipan Chattopadhyay: Well, we are lucky we have a multi pronged throw kind of crown. So there are several I think Srini has mentioned some of them. Personally, obviously we always have highlighted some of the parts from impact point of view I think Woovly, Signals, Mihup of course 4tigo, Slate they're all pretty good. TSIM has a very high impact part. Till now we are pretty happy with our quarter.

Manish Agarwal: Any application managed service contract?

Sandipan Chattopadhyay: Not as of now, not as of now. Typically for now, what we are looking at those things in the services expansion. For now, we typically think that any organization has an innovation phase and then the business as usual phase. We have been skirting the business as usual phase we do a handover post innovation phase and we have been doing it. Some part of the business as usual case also we may do and that's why I said the very nature of our engagement is we surely will have some contracts which are more tenure based 2-3 years not project delivery event based. So that maturity is something that we are going through ourselves.

Manish Agarwal: Write off is on the cost only?

Sandipan Chattopadhyay: Yes. The other parts have already booked in the losses, so that's already factored in anyway.

Ravi Udeshi: Thank you. The next question that we have is from the line of Nitin. Nitin, please go ahead.

Nitin: Hi Sir. So my question would be sir, as you know, with Signal you clearly demonstrated that the company can definitely do hyper scaling. Out of nowhere, you've built a company that has a 60 crores valuation. So basically, being a long term investor I know the management is definitely the best and the new guys that you've recruited, Mr. Koora and Madhu Sir. So basically in the long term how big your company can be. I've got a huge expectation but just want to have some sort of idea, because I know you're definitely hyper scalar you've proved it time and again.

Sandipan Chattopadhyay: Okay, so first thing, some facts that to be corrected. Mr. Koora and I are working for 16 years together, and he was there from the day minus 1. Mr. Srinivas Kollipara is a new entrant. So, Mr. Srinivas Kollipara and Mr. Madhu Poomalil they are the new ones. And as you said, we are ideologically bound and that's the first part. Now coming to hyper scaling, I think I have covered it sometime better. A unified metric that we use inside Xelpmoc internally, is that how many people are we affecting every day, which means that something we have developed, how many people are using it every day. And I would dearly love to go to a stage where, we will not stop rather till we have 5-6 million daily users of something we have turnaround on a base of 50-60 million who are using it or maybe more, but that is the metric we want to hear on to that.

Nitin: Yeah, so I was just asking, so do we have any long term vision of how much would be in terms of valuation as a whole company?

Sandipan Chattopadhyay: Valuation I don't bother about that's a game thing but what I do bother about is profitability and revenue. Looking at 50-60 million users using it every day and let's hypothetically say that per transaction, I make Rs.3-5 because it is a mass market, you can do the math.

Nitin: Okay. Thank you, sir.

Ravi Udeshi: Thank you. We have a couple of questions in the chat. Mr. Omprakash Shah is asking, how many quarters EPOSs is pending.

Sandipan Chattopadhyay: Hopefully ESOPs will be perennial. The current scheme is pending for another 6-7 quarters I think. But ESOPs will have new schemes coming that's the best way to get talent who will be there with us for the long term.

Srinivas Koora: People are being given ESOP in different stages, for few people even it's there for four years as well. For ESOPs which we started this year or last year you will see for next another four years.

Omprakash Shah: Do we have any projects pipeline in design services?

Sandipan Chattopadhyay: Not yet. Not only in design, but we do see a good scope there. We have started forming it but once we form after the formation a few months will go till we build the capability and then we can expect. So a pure design project which we hope to get, it may be that the design project is the first part of it in and then we also do the fulfillment of it. I think we can expect a pure design project to come maybe 6-7 months down the line at the earliest.

Ravi Udeshi: Thank you. We have a question from Ishit Desai. Ishit please go ahead.

Ishit Desai: Sir, one more question. Have we ever come across any of the exit opportunities from some of the successful companies that an incoming investor looking to buy out our stake but we have not exercised? Thinking that the company has a maybe better potential.

Sandipan Chattopadhyay: No one has heart force on us they have suggested and we have politely declined.

Ishit Desai: But we have come across opportunities that we can at our discretion could have chose to exit?

Sandipan Chattopadhyay: Well at our discretion not at our whim. At the point of funding we were given a choice we didn't exercise it. That doesn't mean that the offer still exists.

Ishit Desai: Sir, but how many of them maybe three, four tentatively not looking at the number?

Sandipan Chattopadhyay: May be three - four.

Ishit Desai: Understood, thank you.

Ravi Udeshi: Thank you. We have the next question from Rudresh Kalyani. Rudresh please go ahead.

Rudresh Kalyani: Hi. Srini told that we diluted 9% to individual investors. So can I get to know the demography of these investors.

Sandipan Chattopadhyay: I can give sample profile on the demographic.

Rudresh Kalyani: Usually, in the initial stage we don't dilute easily to the individual investors like us it will be either to the elite investors like Kunal Shah, Vijay Shekar Sharma, something like that. Are they those investors or is it retail investors?

Sandipan Chattopadhyay: I mean, with all due respect to everyone there they're not retail investors to come to your point. They're people who have been part of Xelp journey since Xelp started, first believers in us some of them people we respect and more importantly people whose money we wanted because what we felt was they bring lots more value than just the money.

Rudresh Kalyani: And one more question is on the pre-emptive rights, so all the time do we exercising those rights or do we defer it.

Sandipan Chattopadhyay: Sorry, since IPO we have not had a single company for IPO from this.

Rudresh Kalyani: No, pre-emptive rights.

Srinivas Koora: Yeah, just to answer for example we did a couple of investments wherever we want to increase, for example if you look at Slate, Slate when other investors were investing we also thought that we should also ensure that we don't get diluted so we have invested.

Sandipan Chattopadhyay: We have done bridge rounds but they're rare and for bidding. Usually we don't like to deploy our cash for that, maybe situations will change in two three years.

Rudresh Kalyani: Usually who will lead these rounds, is it Xelp?

Sandipan Chattopadhyay: The existing investors typically, other investors do usually. Sometimes entrepreneurs also lead it.

Rudresh Kalyani: Fine. Thank you.

Ravi Udeshi: Thank you. We have a question from Mr. Ravindra Yelappa. Did the funding round complete in Mihup and Woovly?

Sandipan Chattopadhyay: We can't comment on it, the moment it is disclosable, it will come out as an official announcement.

Ravi Udeshi: Thank you. Yes Amuthan, please go ahead with your question.

Amuthan Iyer: So we normally revalue the book value of the investee companies every two quarters, I think September and March, broadly what other than if they have not raised any funding in between, what parameters do we use at Xelpmoc to do that?

Srinivas Koora: So, basically one is we look at the last round of funding, and in last three months or in last six months, how is the performance, are they on right traction when we spoke to them initially, whether is their growth in their business model or not, based on that we relook at it.

Sandipan Chattopadhyay: So, Amuthan, the basic criteria is we look at consistency and adherence to the plan. So anything onto the plan, if it's on the negative side then we discount, if it's on the positive side, we stay status quo, conservative.

Amuthan Iyer: Thank you.

Ravi Udeshi: Thank you. There are no more further questions, I would like to hand it over to the management for their closing comments.

Srinivas Koora: Thank you very much for joining us. In case if you still have any further questions, please don't hesitate to write back to us. We will respond to you as early as possible.

Ravi Udeshi: Thank you.

Sandipan Chattopadhyay: Thank you everyone. Nice chatting up and as Srini said any questions you feel free to drop by. And next two, three months keep watching the announcements that should keep on happening.

Ravi Udeshi: Thank you Sandipan and Srinivas sir, with that this call ends. Have a nice day. Goodbye.