# "Xelpmoc Design and Tech Limited
# Q2 and H1 FY '25 Earnings Conference Call"
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**MODERATOR:** **MR. RAVI UDESHI – ERNST & YOUNG**

**Moderator:** Ladies and gentlemen, good day, and welcome to Xelpmoc Design and Tech Limited Q2 and H1 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ravi Udeshi from E&Y. Thank you. And over to you, sir.

**Ravi Udeshi:** Thank you, Seema. Good evening to all of you, and welcome you to the Q2 and H1 FY '25 earnings conference call of Xelpmoc Design and Tech Limited. We have sent you the press release and the investor presentation and the same has also been uploaded on the Xelpmoc website as well as on the stock exchange. In case anyone does not have a copy of the same, please do write to us.

To discuss the results and the outlook for the future going forward, we have with us today the top management of Xelpmoc represented by Mr. Sandipan Chattopadhyay, Managing Director and CEO; Mr. Srinivas Koora, Whole-time Director and CFO; and Mr. Jaison Jose, Whole-time Director.

Before we start the call, I would just like to remind you that the Safe Harbor clause applies. With that said, I now hand over the call to Mr. Srinivas Koora. Over to you, sir.

**Srinivas Koora:** Thank you, Ravi. Good evening, everyone, and welcome to Xelpmoc's earnings call for Q2 and H1 FY '25. I hope you and your family are doing well. We continue to see challenges in the startup arena due to the slowdown in funding with the emerging technology sector. Hence, as stated in our previous call, we are continuing to focus on the corporate segment. I will go into the details of the strategy shift in the later part of my speech.

Our operating revenue for the quarter, it was recorded INR16.3 million for Q2 FY '25 as compared to INR21.1 million in Q2 FY '24 and INR7.3 million in Q1 FY '25. The revenue decrease on the year-on-year basis on account of the transition from the startup segment to the corporate segment and also on account of discontinuation of government business. We are seeing interest from corporates for our services. Hence, the revenue has increased on a quarter-on-quarter basis compared to Q1 FY '25.

However, the conversion is expected to take some time. Hence, we expect our revenues to gradually start getting traction over the next few quarters. Operating EBITDA adjusted for the quarter was negative INR10.2 million as compared to negative INR36.6 million in Q2 FY '24 and negative INR28 million for Q1 FY '25. I would like to give some context to the EBITDA loss in Q2 FY '25.

Though our operating expenses have reduced, however, the decrease in revenue was due to the said losses. We expect our operating cost to be stable from hereon. Net loss for the quarter was INR11.2 million, partially due to INR0.1 million of ESOP expenditure and exceptional items. The exceptional item is due to recognition of impairment of Xelpmoc Design and Tech UK

Limited, only owned subsidiary after a comprehensive implement assessment of the investments.

This in comparison to a net loss of about INR45.3 million in Q2 FY '24 and net loss of INR39.3 million in Q1 FY '25. Regarding the change in revenue, we would like to state that our revenue was diversified within startups and corporates forming 9% and 90%, respectively for Q2 FY '25 revenues. We expect focus on corporate segment going forward, more focus on data science will enable us to sustain the increase in revenue. Our team size is about 49 including employees, interns, consultants as compared to 63 in Q1 FY '25.

Till date, we have serve 63 clients and our sustained interaction is applying to the funding -- foundation for the performance. The fair value of our investment in portfolio companies stood approximately INR572.8 million as of 30th September 2024, as compared to INR533.9 million on 30th September 2023. There has been overall slowdown in fundraising activity in the new technology segment. Some of our portfolio companies were in fund-raising stage for their growth plans. The slowdown affected them, using them to curtail on their plans.

And now we are operating at a significant revenue scale or exploring other options, including strategic M&A. I will discuss some of this in detail now. Mihup, is a convergent AI platform providing the real assistance and analytics on customer agent interaction through accelerated revenue CX and business performance. Mihup has a phenomenon based voice-to-text engine for industry-leading accuracy. Its prebuilt AI model finds its usage in multiple industries exited architecture enables secure and real-time data processing.

Mihup's AVA is a smart customized virtual assistant benefited by AI with multilingual support. It is a default voice assistant for all Tata vehicles and has rolled out in 10 lakh vehicles till date. Current rollout is around 40,000 vehicles per month. Mihup’s annual recurring revenue is approximately INR29 crores. It has raised INR50 crores from Ashish Kacholia and the family office of Madhusudan Kela. It is planning to enter new markets and scale up its product offering.

Coming to our next startup Woovly. Woovly now has 2 business verticals, video conferencing marketplace for lifestyle products and interactive shoppable videos and live streaming solution, which is again a SaaS base.

Its live2shop.tv made its global debut, launched by Samsung at IFA Berlin, the world's second largest consumer event. This breakthrough product which enables consumers to shop directly from their TV screens while watching content. We've now set to roll out in 153 million plus houses globally. It has recently added several high-profile clients to its portfolio, including L'Oréal, Henkel and Decathlon strengthening its industry credibility and experience reach. Its current ARR is USD1.3 million. It is looking to do a fund raise of around close to USD4 million.

Snaphunt is a remote talent marketplace that matches employers with the best talent across geographies. Its platform currently has more than 6.6 million job seekers. An increase of 10% year-on-year in Q2 FY '25. It had 1,900 active employers in Q2 FY '25.

Pencil. Pencil app provides a platform for book writing and reading. It also provides a mobile application for reading books. Till date there have been more than 47,000 sign-ups on the platform, 1,400-plus authors have published, 2,400-plus titles as on date. It has recorded steady publishing volume at around 4 to 6 books a day.

It has started intellectual -- property monetization is 25,000 units sold in H1 FY '25. It has signed up 15 new book distributors to widen the distribution. It is targeting AI-generated audio books by FY '25 end. It has been granted U.S. patent approval of providing updatable content based on reader feedback and also for providing data relating to how books are being read and content is being consumed. Global audio book distribution as a service is being set up and integrated on Pencil.

It is working with Amazon India to create set of products for India and export market. It will start bulk exports to North America, including U.S., Mexico and Canada with this product for this market from December 2024 onwards. It is targeting for a INR50 lakhs per month revenue by FY '25 end. It is looking to do a fund raise of around USD2 million.

Our next startup, The Star In Me, which we also call it TSIM. It is a learning as a service platform to drive organizational excellence, TSIM provides Fortune 500 companies learning as a service platform to drive organizational excellence for both genders. Its key focus area is cohort-based leadership learning solution in process of building a product suite to help accelerate sales and effectiveness of the learning experience.

It has conducted 500-plus sessions till date for training more than 30,000 professionals. It has onboarded new clients like Zinnov for Indian market and Codesignal in the U.S. market. It is projected to have revenue of INR3.5 crores for FY '25, of which 60% has already been achieved.

The Star In Me received the silver award as a learning provider of the year at Economic Times, ETHRWorld #Future Skills Awards 2024. It is exploring international business and non-tech sector for faster ramp-up and greater scale.

KidsStopPress is a discovery platform for parents through every milestone in their parenting journey from conception to age 16 years of the child. Xelpmoc has helped build for the KSP machine learning platform to understand over 100 data points to all the users. KSP's target segment is first-time parents age group of 25 to 34 age bracket. This segment forms 75% of its website traffic. KSP has a very strong digital presence with 20 million YouTube followers and 1 lakh 75,000 on Instagram.

It is the only platform with 360 social media presence, the company monetizes its content with brand partnership and revenue subscriptions. The monetization has improved with higher long-term brand partnerships and covering great national footprint, including tight procedures. It has posted a revenue of about INR107 lakhs in H1 FY '25.

As you all know, that Xelpmoc enters into startups mostly at an incorporation stage or pre-seed funding stage or at a pre-revenue stage. Majority of our startups have just started revenue generation and are still burning cash. Few of our startups, like Mihup and Woovly and Pencil are doing well. The rest of them are yet to close their next round of funds. Hence they are focused on revenue increase and are conservative in terms of their cost structure.

As of now, the startup ecosystem is still seeing significant pain, and we are looking at scaling up Xelpmoc's own products and services. We are focusing more on revenue generation on corporate, focusing on data science, artificial intelligence and machine learning trying to build our own in-house products. We are not looking at onboarding startup at this point unless and until we come across some very good startup where we feel that we need to onboard them.

We are working towards becoming EBITDA profitable at the earliest. It will take some quarters for said profitability to materialize, looking at the market conditions, both on the startup side and also on the other side. The Board had approved cancellation of proposal of incorporation of a subsidiary company in Mumbai Maharashtra, which was proposed to be involved in the age-tech industry.

The reason being the business which has been supposed to be carried on with the said proposed subsidiary as separate entity will now be carried out by the company in-house. With this, now I request to open the floor for questions and answers.

**Moderator:** Thank you very much. We will now begin with the question and answer session. We'll take the first question from the line of Abhishek Agrawal from Gemsquest.

**Abhishek Agrawal:** Sir, we've been investors in Xelpmoc since past 4 years now since 2020. And we've seen a lot of things happening at Xelpmoc, a lot of things have closed down now. So all I'm trying to understand is from you Sandipan, sir, what is our strategy as of now? And what is the landscape that we are viewing, especially with respect to our own products and services that we're trying to develop in past 2 years, 3 years. It's very, very effectively now. So where have we reached -- what is the horizon that we see with respect to our products and services?

**Sandipan Chattopadhyay:** Right. So there's a good part and a bad part. As Srini just said, we have turned our focus away from the startups and gone for the corporate sector, which effectively answers your question that a lot of things shutting down is not so probable anymore. It's because we were in startups and startup have a natural mortality rate, we were living with it.

That said, I think the kind of successes Srini has spoke about in terms of percentages of what we attempted and what are still ongoing and what level of success happened, I think we are pretty much ahead of the market in that case, right? The other things have not worked out in terms of some of those things and that was the risk we knowingly took to change the culture.

So that's what I think gets answered about our approach to startups and the kind of burn we have done and what sort of a thing we have done. And because of situation is not working on because of other things, we have taken this path of not going there. So that risk is mitigated.

About our own products and all, the green shoots that you are seeing in terms of revenue increase and all, thankfully quite a significant part of it now is coming from getting into license costs or things like that. It's just a new thing, but it is significantly increased in terms of percentage of revenue coming in on a growing base from that part. So I do think we are very optimistic.

Third aspect here is when we make startup products, we also clarify that these are more for SDKs targeted towards more the development community, and they include that and our product goes to market. Instead of that, in the last 6, 7 months, I think we have taken a call because we are not going for the start-up and focus in corporates to make it productized for direct delivery to customers and not wait for the developer community to improve.

That is obviously showing some good traction now. We are in the POC stage with several. And I guess, Srini mentioned the confidence with which we are looking for the next few quarters, where we will increase that footage and get more imprints on to that one. So that is where we stand as of today.

Going forward, we are focusing on our own products. I don't know if you have noted or it was noted down. The age tech thing that we were talking of, that, obviously, we have stopped making it as an independent subsidiary. We have taken that inside Xelpmoc and that entire line or that entire approach would now be part of the Xelpmoc resource and kind of the capital in terms of assets and intellectual capital that has been done. So that's the stance we have taken. So more green shoots will come from that. Does that answer your question?

**Abhishek Agrawal:** Yes. Sure. Just a follow-up on that. Sir, anything concrete with respect to what kind of scope of workout in terms of revenues, where are we looking at, say, 6 months, 12 months down the line and with respect to our production services?

**Sandipan Chattopadhyay:** No, no. We have not come to that level of regularity yet, okay? So we have to watch for a few quarters. That's the reason we said that, that is something we're looking at 2, 3 quarters down. Yes, we have got interest. We have been able to -- as you can see, we have increased from previous 2, 3 quarters the revenue significantly. But it has not come to a steady state.

The things we set out to do is explore whether from our current customer base, we are able to get more projects or expand the scope of some of the work. Those have all happened with that part. But engaging with new customers, making that into a predictable practice, I don't think we have reached that assuredness yet.

So till that is reached, we would not venture into trying to give you a number, which we know now still believe in. All we are trying to say is we are trying to maximize what we can do. And until the rhythm of predictability is there, they would not venture and give you strict numbers on. Right now, we'd like to give a trend and what we are trying to do.

What we can share with you concretely and you also probably would be aware if you are following our stages, the success story of our startups. And since they are just, like Srini mentioned, started surfacing in the public space, you can see the kind of potential growth increase that has happened in the last 6 months on various accounts. So that, I think, is a real stake for this part of things. The stability of the revenue on all will take some time to form.

**Abhishek Agrawal:** Sure, sir. Appreciate that. And one last question that I would like to understand from you is, sir, any kind of opportunity that we were not looking at, say, a few quarters before and then we have recently come across or anything else that we are working on that is new to us or that excites us going forward?

**Sandipan Chattopadhyay:** So we have aggregated a lot of things or looking at market demand. So before we had a kind of a set of modules that we had independently done. Now we are able to weave them together to solutions with which we are going to specific domain. So that has changed.

On the flip side, there are some, say 2, 3 years back -- what, etcetera, what certain startups were approached and say, do you want to do business with us? We have sort of let go of that adventurism. Sometimes we regret that. But survival and stability and significant plan is important.

So yes, we have let go of some opportunities from that startup space, and we have sort of built on the opportunities we saw in the visage and assemble things, and now we feel more confident that there's a market pull for that particular thing.

Sometimes the technology may be all there, but the packaging, the way we are marketing, the way we are selling the solution, that can make all the difference to our sale. I think that translation, we have been able to do successfully.

**Moderator:** We take the next question from the line of Jinesh, an individual investor.

**Jinesh:** Sir, I have first question, is regarding the Woovly social commerce business. Any update on that? Like recently, we are seeing on their SaaS model, but any update on their social commerce business?

**Sandipan Chattopadhyay:** So that is going on as usual. Typically, we don't speak on behalf of our startups except for what they give a brief of. I think if ever they have given us a brief of and whatever is in the public domain is what we can retransmit to you, but not go and venture to give something beyond what they have told us, right?

That said, it is public knowledge. So I'm saying I think Woovly itself is going on a regular track. But this new thing has a higher potential and accumulated faster revenue than the other track. They are both parallelly going, but the focus of the management is on the new because the accumulation of revenue seems to be happening at a faster pace on this front.

**Moderator:** We take the next question from the line of Abhishek Agarwal from GEMSQUEST.

**Abhishek Agrawal:** One question was regarding the Soul that we were bullish on and the services that we were providing. Where are we in terms of -- in terms of that?

**Sandipan Chattopadhyay:** Sorry, can you repeat the question? It's a bit garbled a bit in between. I couldn't get the exact question.

**Abhishek Agrawal:** One thing that a few quarters that we were bullish on is our Soul -- the Soultrax that we are working on. So where are we in terms of that?

**Sandipan Chattopadhyay:** Soul and Soultrax are different. Soul was full of accredited learning -- retransmitting and we have worked some compensatory thing from that. But as that business, it didn't progress much. And we had already informed about that. Soultrax is through our subsidiary Signal and that was looking at content production and all.

Revenue realization, and we have stopped new content generation kind of experimentation we are doing there. And we are trying to see whatever content we have got or produced till now, how we monetize that. Based on that exercise, we will decide the future path of it. But as of now, whatever allocated funds for it were there and the utilization is there, that has been stalled. And there is no new funding that has been raised into it independently.

**Moderator:** The next question from the line of Punit, an individual investor.

**Punit:** I just want to check, have we registered the money that we are supposed to get from Fortigo, about INR1.2 crores or something like that?

**Srinivas Koora:** That's now already recieved in Q1, sometime in the month of May.

**Punit:** Okay. Got it. And any update on Signal? So when will we start generating revenue from Signal?

**Sandipan Chattopadhyay:** Well, nothing significant to drive from about, so we were not doing it. There is some revenue coming in and some paid POC happening as we speak. As it's an academic project, we have to work for the academic calendar to restart. And the approach has changed. Instead of going direct to consumer, which is parents, we are now going through school-based approach because B2C thing did not work out pretty well.

It was too much customer acquisition cost, so we are trying this out. And we'll keep you updated once something significant happens. But the product quality and all has been appraised. We have to see the market adoptability and how we are able to penetrate the market with it.

**Punit:** Okay. So this is getting regarding the children's...

**Sandipan Chattopadhyay:** Sorry?

**Punit:** Does this have to do -- does this project has to do with the children's fitness program?

**Sandipan Chattopadhyay:** No. That's a different thing. That is just one of the customers. That was not our product. The one you saw on LinkedIn probably anywhere, that's a different thing that we are building for a company, which has got a large common contract. That's not our product. Signal is about taking care of the kid's needs for a need-to-know basis education.

Most education is prescriptive, which is a standard school, right? But if they want to dig deeper or their guardians wants to share a particular resource, which is not covered in the syllabus and wants to give some sort of a merit tracking reward system, Signal helps with that.

**Moderator:** Thank you, sir. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

**Srinivas Koora:** Thank you very much for joining us. In case if you have any further queries, please do drop us an e-mail. We are happy to respond to you on the best of our business. Thank you very much, and take care.

**Sandipan Chattopadhyay:** Thank you, everyone. Bye-bye.

**Moderator:** Thank you on behalf of the management. On behalf of Xelpmoc Design and Tech Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.