Investor-Analyst Meeting
Date: March 12, 2025
Time: 07:30 PM

Participants:

Ritesh Singh – Host

Gaurav Sharma – SEBI Registered Analyst (RA INH100008726)

Rama Mullapudi – CEO, XTGlobal Global Infotech Limited

Raghuram Kusuluri – CFO

Sridhar Pentela – Company Secretary and Compliance Officer

Introduction

Ritesh Singh welcomed the participants and introduced the key executives. He requested a brief company overview, including financial highlights and expansion plans, before proceeding to the Q&A session.

Company Overview by Rama Mullapudi

Foundation & Growth:

XTGlobal, formerly known as Xensoft Technologies, was established in 1998 in the US as an IT staffing company.

In 2006, the company acquired a SaaS-based accounts payable automation product and expanded operations to India in 2007.

By 2016, XTGlobal transitioned into an IT services company after completing product development.

In 2018-2019, the company executed a reverse merger with Frontier Information Technologies, a BSE-listed company.

Financials & Revenue Streams:

The company remains self-funded, relying on internal accruals with minimal external funding.

Infrastructure Investments: 25,000 sq. ft. office space in Hyderabad and a 200,000 sq. ft. facility in Visakhapatnam.

Revenue Breakdown:

SaaS Product (Accounts Payable Automation): ~$4 million annually.

Offshore IT Services: ~$8 million annually.

Finance & Accounting Outsourcing (Since 2023): ~$1 million in recurring revenue.

Shift from IT Staffing:

The company has gradually moved away from US-based IT staffing to focus on long-term offshore IT services.

This transition led to lower revenue in dollar terms but improved profit margins and customer retention.

Strategic Direction:

Investment in cloud computing, AI/ML, and automation to enhance service offerings.

Expansion plans in Europe, Dubai, and the US through acquisitions and partnerships.

Focus on acquiring companies that align with XTGlobal’s core services, ensuring cultural and strategic fit.

Q&A Session

Revenue & Market Valuation

Gaurav Sharma: Why has revenue remained stable despite growth efforts? How do you view market valuations and P/E ratios?

Rama Mullapudi:

The decline in revenue growth is due to the shift from US staffing (~$80-100 per hour) to offshore IT services (~$30-32 per hour).

This shift ensures better client retention, higher gross profits, and long-term contracts.

P/E Ratio Concerns:

Investments in team quality, cloud computing, and AI have been recorded as expenses instead of capital expenditures, impacting short-term profitability.

Interest payments and amortization on office infrastructure also impact bottom-line profits.

Promoter Shareholding

Gaurav Sharma: Promoter holding has increased over the years. Can you explain this trend?

Rama Mullapudi:

My shareholding has increased over the past four years.

Other major shareholders have not sold any significant stake, resulting in a lower public float in the market.

Future Expansion Plans

Gaurav Sharma: What are the company’s plans for expansion and capital allocation?

Rama Mullapudi:

Current Assets:

The company has invested ₹60-80 crores in office infrastructure to reduce long-term rental expenses.

Assets also include share premium from the US-India reverse merger.

Acquisitions:

Plans to expand in Europe, Australia, and the US through mergers and acquisitions.

Preference for acquiring companies with existing leadership to ensure smooth integration and growth.

Capital Allocation:

Focused on organic growth rather than aggressive borrowing.

Any expansion will be structured to minimize cash outflows.

Employee Costs & Cost Optimization

Gaurav Sharma: Employee costs seem to have decreased. Was this due to layoffs?

Rama Mullapudi:

No major layoffs occurred; however, US staffing revenue declined, naturally reducing on-site consultant expenses.

Growth in India-based IT services helped balance workforce costs.

The company continuously evaluates cost efficiency without compromising quality.

New Business Verticals

Gaurav Sharma: Is the company planning to enter new business verticals?

Rama Mullapudi:

Not immediately, but expansion within existing verticals is planned:

Finance & Accounting Outsourcing: Expanding into HR & payroll outsourcing.

IT Services: Investment in AI, cloud computing, and automation.

Real Estate Accounting: Possible entry into real estate accounting verticals.

The goal is to grow within aligned business areas rather than diversifying into unrelated sectors.

Recurring Revenue & Profitability

Raghuram Kusuluri:

The company is focused on recurring revenue models, ensuring long-term client retention and profitability.

Gross profits are higher in outsourcing services, making this a key focus area.

Closing Remarks

Gaurav Sharma:

Expressed appreciation for the management’s transparency and strategic vision.

Expressed intent to continue engagement with XTGlobal in future investor meetings.

Rama Mullapudi:

Thanked the participants and reaffirmed the company’s commitment to sustainable growth and value creation.