"Fidel Softech Limited Quarter and Year ended on 31st March 2023 Earnings Conference Call."

May 18, 2023

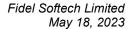| MANAGEMENT:	MR. SUNIL KULKARNI - CHAIRMAN AND EXECUTIVE DIRECTOR
	MRS. PRACHI KULKARNI - MANAGING DIRECTOR
	MR. MANDAR INAMDAR – CFO
	MR. ANIL PATWARDHAN - FINANCIAL ADVISOR
	MS. NEHA JOSHI - COMPANY SECRETARY

Moderator:	Ladies and gentlemen, good day, and welcome to the Fidel Softech Limited Earnings Conference Call for the Quarter and Year Ended on 31st March 2023.
	For the duration of presentation, all the participant lines will be in listen-only mode. We will have a question-and-answer session after the presentation. 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 call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.
	So, now without any further delay, I would like to hand over the proceedings to Ms. Neha Joshi, Company Secretary. Over to you, Neha.
Neha Joshi:	Thanks, Yashashri. Good afternoon everyone. This is Neha, Company Secretary and Compliance Officer of Fidel Softech Limited. A very warm welcome to all of you for the earnings conference call for the Financial Results of the Quarter and Year Ended March 31st, 2023. For discussion, we have here with us today Mr. Sunil Kulkarni, our Chairman and Executive Director, Mrs. Prachi Kulkarni, our Managing Director, Mr. Mandar Inamdar, our Chief Financial Officer, and Mr. Anil Patwardhan, our Financial Advisor. Welcome everybody.
	We wish to start by qualifying that during the call, we may make some forward-looking statements. Fidel Softech does not provide any specific revenue earning guidance. Anything which is said during this call which may reflect our outlook for the future, or which may be construed as a forward-looking statement must be reviewed in conjunction with the risks that the company faces. These statements are considering the business environment we see as of today and therefore, there could be risk and uncertainties that could cause actual results to vary materially from what we are discussing on this call today. An audio link and transcript of this call will be shortly available on the investor section of our website, www.fidelsoftech.com.
	With this, we are now ready to begin with the opening statements and the performance of the company. And post that, we will be available for the question-answer session. I now request Sunil sir to take over. Over to you, sir.
Sunil Kulkarni:	Thank you, Neha. Good afternoon all. Thanks for your time today. Thanks for taking the time to join our call. This is our first fiscal year results overview earnings call post we are going public. So, thanks a lot. Many of you might be joining this or knowing about us for the first time. So, I will just quickly run you through our company overview. I will be keeping myself short. In five to seven minutes, I will be completing this so that we have more time for question and answer.
	So, Fidel Softech Limited is a leading LangTech linguistics or languages plus technology, LangTech services provider, and we specialize in integrating languages with technology solutions so that the last mile delivery is in local languages. We offer different technologies-

based solutions and cover 200 plus languages. I am joined in Senior Management with Prachi Kulkarni, Mandar Inamdar and Sushrut Potdar who is our CTO. Other than us, we have a Mid-Management Team of around 15 plus members who are with us for some time.

Our corporate plus our vision is to ensure that technology solutions are available in local languages so that for the betterment of community or business. Our services include, we have major two categories. One is Language Engineering Services, which includes software localization, data creation, language engineering, and Enterprise ID Services, which includes digital transformation, enterprise product implementation and so on.

This is our first fiscal year after going public. We did a 27% revenue growth over last year. Our top line was around 34.2 Cr. We created some new competencies including technology in the technology space as well as in language engineering. Q4 was decent enough. We had a top line of around 9.72 crores with a year-on-year growth of 17%. Our yearly growth compared to last year was 27% growth on top line and EBIT has been around 21% as against 23% last year.

To see from here I just want to add how we achieved this top line growth. Some of the key wins or initiatives for us this year were with the growth of AI and ML, there is a huge requirement of large language models, and we are positioned well in multilingual data creation, transcription or testing of this, updation of these models or data.
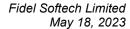
Fidel also has set up competencies in the area of ServiceNow Cloud areas and we continue to tap new enterprise clients. This year we added almost 30 plus new clients where around four to five have been identified as strategic clients. We also commenced MoU with certain customers where some work has already been started.

Fidel also did one big data collection project. Again, it was for training AI engine where we did data collection for various dialects of Japanese languages. Over the years, we are now seeing around 10 plus clients with 100K USD of sales.

From an outlook perspective, overall, we see a very positive outlook. We want to share an outlook of around 27% to 30% growth for this coming year due to we see continuously or because of our presence in Japan geography, we see that still as a very stable geography compared to the other geography.

Our current work in digital technologies, enterprise products as well as the language engineering at least in the current customers we see a positive pipeline for coming quarters. E-sports and gaming is one area that we are also seeing some traction. We already have some customers in this area, and we are trying to look at similar customers in this domain.

With the new technologies, while there are new technologies like ChatGPT, we are seeing interesting patterns where customers are asking us to see how we can leverage these technologies and integrate with their solutions.

With this, I think this is a brief overview about what we have done. Thanks a lot for participating today, and we are open for any questions. Thanks.

Neha Joshi: With this, we are now ready to open the question-answer session. I will now hand it over to Yashashri. Over to you, Yashashri.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Imran Khan from Longbow India Capital Advisors LLP. Please go ahead.

Imran Khan: Sir, my question is on your, first of all, top line. I mean, if you compare it with last quarter, there is hardly any growth. So, I mean, is this the normal growth that one can expect from your company? Or you think you can grow much faster than this?

Sunil Kulkarni: Which quarter you have mentioned?

Imran Khan: The last quarter. If I compare your last quarter with, you know, same time last year, it's hardly 1 crore growth over 8 crore of top line. So, what I am saying is, is it a normal thing that you want to say or, you know, we can expect higher growth from your company because the scale is very small right now?

Sunil Kulkarni: No, earlier we till the last year, last as in last-to-last year, we used to be in a band of around a quarterly rate of 6.5 Cr per quarter. Last year barring the first quarter, we successfully transitioned to 8.5 Cr where we were trying to still see if we can go around 9 or cross 9. This year we see that if we can cross 10, 10 to 12 and try to reach closer to 12.

So, of course, we are still in the process of building or setting up our sales engine, marketing engine. We have done certain progress last year, and we continue to build over that. But yes, so there is much potential. There is a lot of potential. It's just how we can now start tapping these areas.

Imran Khan: And sir, how many employees do you have as on, you know, March 31st?

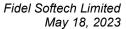**Sunil Kulkarni:** Employees, number of employees?

Imran Khan: Yes. Compared to last year, you know, in the last one year, how many employees you have added? And what is the total strength?

Sunil Kulkarni: Today, the total strength is 172. 172. What we have done is while the addition of employees look marginal, last we have also tried to work with independent contractors for certain projects because when we, if there is a long strategic project or long strategic area where we are building competencies, we are, of course, hiring the employees, but for certain projects where we were not sure whether this would continue for a longer duration, we have done with some contractors.

Imran Khan:	Then my question is, you know, the top line growth is only 1 crore if you compare year-to-year, you know, quarter-to-quarter, sorry, and your employee benefit expenses have actually, you know, it has gone up more than by your revenue growth. So, what was the reason for this?
Sunil Kulkarni:	We have a variable component in our salary structure which actually comes across in the last quarter or last month basically, and so that was one of the areas because of which the employee benefits look bigger.
Imran Khan:	But that should be related to or at least linked to the revenue growth that you do, right? The revenue growth is hardly around maybe 60, 70 lakhs compared to last quarter, and you have a very similar growth in your employee benefit. So, it seems like it's still very high.
Sunil Kulkarni:	So, this variable that I am talking is the yearly that we keep aside and is given at the end of the year. It's not just for the quarter plan.
Imran Khan:	And is it similar case with your other expenses also?
Sunil Kulkarni:	Other as in, so in the other expenses in the last quarter, we participated in the different events. So, there is the event in Dublin called Gala Event, which is an organization mainly in the localization language engineering area where we participated. So, these were some initiatives that we thought would add to subsequent revenue growth in this particular area.
Imran Khan:	And this would not continue in the coming quarter, right? I mean, it's a one-time event in a year, right? So, I think Q1 will see again a normal other expenses then?
Sunil Kulkarni:	Yes. So, basically, we have marked certain events within India as well as global which kind of address the market that are the areas that we work in, like as I mentioned language engineering or ServiceNow or enterprise products. So, we are trying to see which events are more suitable for us and accordingly trying to plan the participating in these events. But Q1, again, this year we are in the process of planning which events we will participate.
Anil Patwardhan:	So, this is Anil Patwardhan. I just wanted to add to what Mr. Sunil Kulkarni has just now explained. See, we have to increase the visibility of the company across the markets in which we would like to target the growth, and based on that we have identified certain events where we need to participate. We have increased our visibility, and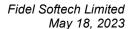 we also need to invest in business development to sort of drive this level of growth and also if possible to accelerate this. So, you will find that those initiatives have been taken up in the second half of this financial year, and we have been able to sort of go ahead with these initiatives. Naturally, the cost is also coming into (Inaudible) 15:56 of the company.

So, we would like to continue with these initiatives and increase the visibility of the company so that we are able to tap new markets as well as get new logos in the company from a customer perspective. |

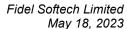|	
Imran Khan:	Sir, since we are talking about the market and you are increasing the operations, can you please tell us, you know, what kind of, let's say in the next two, three years, what kind of revenues you are targeting, let's say 2026 or '27 maybe?
Sunil Kulkarni:	So, the first two years we were looking at like last year and this year. So, last year we did, we had thought of 25% to 30%. This year we have seen 27% to 30% as I mentioned. What we are seeing that the first time that the entire company is also now understanding that we are chasing, we are going walking towards a certain goal. And so once we have adjusted or we are building this space after next year we are looking at 35%, 40% is something that we are looking at.
Imran Khan:	And sir, since your company is already profitable, you know, making at least 5, 4, 4.5, 5 crores profit, what was the reason for doing this IPO that you did to raise 10 crore, 12 crore rupees? Just been curious to know.
Sunil Kulkarni:	So, basically meaning our company is not a new startup. We are there, last few years or last all these years, we have always bootstrapped ourselves and if we save certain amount this year, let's try to do this or let's try to do that. There was never a case where we said that okay, let's invest in a sales engine upfront or let's hire 10 sales guys or let's do this.
	Our profitability also in the last three to four years we have started continuously trying to build our where we are. So, last year was something where we said that is there any way where we can now see that we build up a sales engine, we build up a strategic focus, and go. Then there was the area again, if we are limited with whatever pool we have, within that limit you try to do. We have options to go to banks, angel investors, VCs or the public. So, we thought that again, this could be a better route.
Imran Khan:	And how do you want to utilize this, you know, cash that you have in the books in the future? You want to keep it as a safety net for your company or you want to invest it somewhere so that you can gain, you know, grow maybe much faster?
Sunil Kulkarni:	So, we have defined, we have reached out saying that we will be using this for as a working capital which we have already started as I mentioned participating in events, hiring, increasing our reach, business development and so on. So, our branding exercise, many times even what we have realized is even in Pune, many companies or people don't know as much. So, because we never thought of like going on as a, go forward as a brand or build our brand and so on. So, mainly it's a working capital. That said, and we already spent a certain part of it. We are ensuring that we are not rushing into spending it in the sense that given the volatility, and we are also trying to see if it is judicious to spend it in certain areas. So, we have been a bit conservative. It was our first year, and we don't want to end up wrongly spending it in certain areas.
Mandar Inamdar:	Just to add to what Sunil said, the monies would also be used to build different competency centers in the different areas of our work as and when we seek any market opportunity with any

of our customers or any of our prospects that often too, and that is something which we do would help us grow further.

Imran Khan: And sir, if possible, you know, I have been at least thinking what you are actually doing at your company. So, as a name it suggests, you know, you are doing something with language as a differentiation, but can you help me understand let's say a project of your where you have provided a solution to a problem? Can you explain that, if it's possible?

Sunil Kulkarni: Yes. So, basically, I will just first tell you what type of work we do so that that might give you a bit idea. So, basically, let's say if you want to generally build up a payroll system, payroll application, you can today go to any company in India and ask them the project, I want a payroll system, and they will build it for you. But if you say I want the payroll system which will generate reports in Telugu or Japanese, now here a normal vendor would say, "Sir, I might not know how to store Japanese characters or how to search for it and so on." And there some such customers would typically come to us. We want to build up application, multilingual application and so on. This is one example.

Second would be like take something like Amazon's Alexa. Alexa today speaks let's say English, and it understands English, but today to make Alexa understand Marathi, Hindi, Bahasa, Sinhalese, Tamil, Alexa engine has to be trained into different languages so that Alexa understands your that question is Hindi or Marathi "Aaj kya hai, mujhe yeh chahiye" and so on. So, we will work with someone like Amazon to collect or build data, transcribe it, annotated it, format it in a certain or curate in a certain format so that it can be loaded or given to that engine. This could be another area.

And so typically language people think it's just plain vanilla translation as in birth certificate translation or Aadhaar card translation, but there are these engine aspects to it. So, when a CAD drawing let's say is sent from Germany to India, it might have markings or notations in German language. But so, get that to work where then we will extract this text using again scripts, translate it and put it back again. This could be a simple one engagement again.
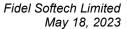
And not, of course, so here sometimes or most of the time some linguistic know-how at least and technology, both are needed. So, this acts as a niche as well, but globally, this is a huge market. There are companies who will be doing a billion dollars in this like TransPerfect or global companies. We have just started, and we are now reaching out to.

Imran Khan: So, in fact, that was my next question. What other companies do you have in the market who are doing similar work? How big they are? And what kind of competition you are getting from them?

Sunil Kulkarni: So, if I see in India, in India it's a very fragmented market, and there are vanilla translation agencies who would be just doing linguistic work. So, many times we work with them also because they might have certain translators, and we can leverage them. And then there are vanilla

IT services companies who are doing just IT services like say Persistent for example, but then if they get a Spanish e-commerce website or e-commerce web application kind of work, they will try to reach out to us that hey, Fidel, you have this expertise of Spanish as well as Mandarin, can you do?

So, at least in India lang and tech together we are not seeing much. Then there are certain technology companies, but then they are doing say fonts or device drivers or OS and so on. Again, they are not as direct competition. In the US, there are companies like LangBridge or Translate, and these are our customers as well. We localize. They are much bigger, $200 million, $500 million and so on. But then they don't see us as competitors because we are rather they see us as partners in Asia.

Imran Khan: And let me then, you know, just extend this question since you are also working for other IT companies, right? So, what percentage of your revenue would be direct from, you know, let's say a client who has a need of this solution compared to from a third party?

Sunil Kulkarni: So, we have currently two types of customers. One is that you have rightly already mentioned what we call as system integrators or go through companies. It could be an IT company or it could be a language company. And then end user firms, like let's say working directly with SAP or working directly with Amazon or that working directly in India with Flipkart and so on. So, today, roughly the ratio would be around 30% direct users, 70% all these system integrators or B2B kind of. Sometimes it's 65-35. Our, of course, idea is how we can increase the direct end user connect or directly go into this. At the same time, these require a lot of longer sales times. We need more account management capabilities and so on. But yes, so this is 30-70 kind of operation.
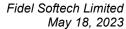
Imran Khan: And what could be your wallet share with these integrators? Because they must be having other vendors as well. So, what kind of wallet share do you enjoy with them?

Sunil Kulkarni: So, like, for example, again, this is a broad question. So, for example, we have certain customers in say, like, let's just take SAP. In SAP's language engineering work, our work would be very minimal. Maybe I don't know even if it's touching 1%. But if I take just the Indian language part of SAP, we might be doing say 20%, 25% or 30% other than what they are doing in-house. In India, I don't think other than us is actually working with them on Indian language, for example. So, likewise for certain US centric, these bigger firms as well, for languages such as Japanese or Indian languages, we have a bigger wallet share. But then when we are doing let's say Thai or Bahasa or say German language, we might be very invisible competitor.

Imran Khan: And since you want to grow 25%, 30%, 35%, you know, what do you think would be contributing to your growth? Is it going to come from your end user part of the business? Or is it coming from, you know, you expect this to come from your integrators part?

Sunil Kulkarni: To be honest, at this moment, for us growth is growth. It comes from any side, it's welcome. What we have many of these entering into an end user, it's not that easy. We have to go to say we have to be in front of them. We have to visit them. But of course, during pandemic now many are open to telecon and so on, but at least through participation in these events, we are trying to tap them.

That said, currently, we are already entrenched in this system integrators where they know our capabilities, especially now with our technical capability like having in-house Python and difference capabilities, we see a largest chunk. Some things that we are seeing is two, three areas that we are seeing is, so earlier some of this work from US or Europe would go to countries like say Romania or Eastern Europe countries. Last year we are seeing some of these language engineering work coming from Europe or US to us.

Earlier they would see meaning due to time zone or they would prefer that, but because of volatility in that market, that is coming to us. So, we see the meaning we want, if we are already interested with certain customers, we are trying to see if we can get more wallet share from there. That said, we are through participating in events, and we are also trying to knock these new companies.

We are also seeing some Indian product companies trying to go global. Our Indian like e-commerce companies trying to go local to tier two, tier three cities like Flipkart, Nykaa, BigBasket. All are our customers today, big or small. So, this again drive we see could add to this growth.

Imran Khan: And this 25%, 30% growth year-on-year, you know, that you are expecting, is it going to come from new customers or is it going to come from largely from the existing customers because your business you will see some wallet share shifting? So, what would be the reason behind that 25%, 30% growth?
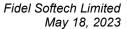
Sunil Kulkarni: Currently, one is today, if we look at our existing customers and whatever the growth that we have mentioned, we see at least 50% to 60% of already the work lined up. So, in-house we are telling like our sales team and this thing, how we can get this extra 30% growth or 20%, 25% growth from newer customers.

When I say newer, we are also trying to see how we can improve the quality of customers. So, there are one time customers sometimes, but would there be some strategic customers that we can tap in different markets or something that let's say we are not in Middle East today, but can we tap certain areas, tap someone from there which would add new geography to us and so on. So, there we are also trying to look at our current portfolio.

Imran Khan: And sir, this is a very broad question. You know, we are doing something special I know. This is a Language Tech is a little special than what general IT business is, but if you look at the general, very general IT business, I think people also make their 15% to 20% EBITDA margins,

right? And we are making about closer to 20% margins. So, I was thinking, you know, if just curious to know why you are not moving into other plane while in IT or little bit specialized IT and grow your revenues much faster than, you know, because this scale is very small right now. So, what's your thoughts basically around that?

Sunil Kulkarni: No, and that's why so like two years back, we never had this thought of building competency in let's say ERP or something like Infor, for example. Now with certain as Mandar Inamdar mentioned just now, we are also trying to see how we can quickly set up new competencies. Now with this e-sports company, we are helping them with testing e-sports platform. Now we build up an in-house quick some testing competencies and now roll out this service to similar say companies in US and Europe. So, you are right. We are not shying away from that. Rather with this inclusion of funds and now with this backing of investors as well as we are also seeing how we can quickly launch different services or build upon competency. Our daily bread and butter is there now. We have foundation, and then how we can build from there.

Anil Patwardhan: Sorry to interrupt. I think we have others also who are looking forward to ask some questions.

Imran: Please feel free to take other questions.

Anil Patwardhan: Thanks Imran for your Interest. But as you said that gives us some idea of the thoughts as well.

Moderator: Thank you. We have our next question from the line of Ankit Salgia from Vijit Global Securities. Please go ahead.
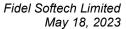
Ankit Salgia: So, my question is you have addressed one of the good questions that we are talking about now AI and ML and all these things that are ChatGPT that is coming up. So, on related to that, you said we are getting, you know, we got one project that we are training AI engine. But my question is on the other side that are we trying to use those kind of tools in our in-house like ChatGPT or those where we can get some of the benefits or coding or like translating some of our works from those engines so that you can reduce our cost of employee or get some of our work done from ChatGPT and have an advantage, of course, from that side incur the cost or something like that?

Sunil Kulkarni: Thanks a lot, Ankitji. Appreciate the question. So, basically, yes and no, in the sense that for certain enterprises, they specifically ask us not to use any machine translation or anything. That said, we have over the period built some in-house tools where we try to build terminologies or build processes for certain these customers.

Then there are certain customers where there is a mandate to leverage machine translation. So, here either they will give us pre-machine translated text and we do a post edit, and that's what we call as MTT or they allow us to upload you can use any engine or anything, and then just give us a turnaround because the contents are increasing. And so there we, of course, want to

leverage something like any machine translation engines that are available in the market including ChatGPT.

ChatGPT what we are seeing the queries to us, like for us, when we are drafting, for example, certain collaterals or earlier we would review certain code, there, of course, we are trying to see how we can leverage something like ChatGPT or build some wrappers around it and so on. But bringing operational efficiency is I think that is one of the parts is something that we are continuously working on by using again or building something around these tools.

Ankit Salgia: Sounds good. I mean, yes, that was my question. So, do you think in future, it can reduce our cost on like improve our margins or we can have better numbers going down the line with the help of these kind of tools available?

Sunil Kulkarni: Definitely helping us improve our work in the sense that earlier when even our if we take a vanilla translation part where a translator would do let's say 2,000 words per day which was a standard industry benchmark, now it has grown that the translator should be able to do at least 4,000 to 5,000 words per day, because we are making him or her available all these tools. So, there again, we are ensuring that we are able to improve.

That said, there is also like customers also many times know that you are increasing operational efficiency. They ask for discounts and so on. But yes, we have seen some operational efficiencies leveraging these tools and technology.
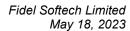
Moderator: Thank you. We have a question from the line of Jignesh Vaidya from Jiva Research. Please go ahead. His line is disconnected. As there are no further questions, I would now like to hand the conference over to Mr. Sunil Kulkarni for closing comments. Over to you, sir.

Sunil Kulkarni: Thanks a lot for your time and interest today. Really appreciate. For us, this going public was a very big event for us. While we are still in SME and our numbers are small, we are trying to see how we can act and be like a big, bigger firm. So, one of the steps that we took is this year we started our quarterly results declaration with a small note of key takeaways. This was to showcase that this transparency and communication from us.

Secondly, by declaring certain dividends this year, we also wanted to show that wherever we are making profits, we are giving it back to the investors. And in that sense a dividend friendly company. That said we are in a growth mode now. We want you to retain your interests maybe not now, but at least continue to see, look at us in the coming period. We will ensure growth.

One of the good part is we are working in two different markets. One is a very mature market like Japan, and one is a growing market like India. So, leveraging these two markets and with a renewed focus on new competencies, I am sure we will be able to achieve our numbers. We are trying to see coming from a very conservative background, I think my surname gives away, Kulkarni, but we are trying to ensure that we sustain this growth. We sustain our current

operations, and then whatever growth we can, we definitely want to grow. So, there we are trying to manage it conservatively.

So, I think, thanks a lot for your time today. We will continue to, you know, we are accessible. Myself I am accessible. You can reach out to us at any point of time. You can visit our office. Thanks a lot.

Moderator: Thank you, sir. On behalf of Fidel Softech Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.