



“Fidel Softech Limited  
Investor Conference Call”  
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**Moderator:** Ladies and gentlemen, good day and welcome to the Fidel Softech Limited Investor Call for the quarter and half year ended September 30, 2023. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sunil Kulkarni, Chairman, Fidel Softech Limited. Thank you and over to you, sir.

**Sunil Kulkarni:** Thanks a lot. Yashashri. Really appreciate it. So thanks all for joining us today at our quarterly Q2 call. I appreciate. My name is Sunil Kulkarni and I'm Chairman, CEO of Fidel Softech Limited. I welcome you all on behalf of Fidel. Today on this call, I have with me our MD Prachi Kulkarni, CFO Mandar Inamdar, Mr. Anil Patwardhan, our Finance Advisor and other members of the team. I hope you had an opportunity to download the investor presentation from our website as well as this exchange.

Today, I will brief you about our progress, about the numbers this quarter, our overall business overview and then feel free to ask any questions. If we cannot take any questions due to time constraints, we are always available in our Pune office and so you can call us, visit us. 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 risks and uncertainties that could cause actual results to vary materially from there, from what we are discussing on this call.

That said, I'd like to start with a rebrief about Fidel because some of the members might be new to Fidel Softech. Fidel is a premium LangTech consulting firm offering language and IT consulting services. We work with product companies, IT consulting companies and help them go global with the last mile delivery in local languages.

Our idea is to be one of the top tier leading LangTech consulting firms in the world. Our senior management comprises of Prachi Kulkarni, Mandar Inamdar, Sushruth Poddar who are with the company since the inception. They are backed up by a team of 20 plus middle management who share the same vision and work closely with us as well as our clients.

We have a strong board of external members who continue to guide us and work with us. Our services include language engineering services which include software localization, data collection for training AI engines, translation and MTP and anything around language localization or language engineering services. We have enterprise IT consulting services as well where we have competencies around digital transformation, enterprise IT product consulting implementation and so on.

We have also initiated some other services and competencies where we continue to add new services. We are ISO compliant and continue to work towards achieving zero or less defect delivery. We are also members of various organizations such as NASSCOM, CITLoB, GALA which help us to keep abreast of happenings in our industry as well as brand and established thought leadership.

Now I will move towards the financial overview. This would be around slide 9 if you have downloaded the presentation. Our Q2 numbers were positive with a positive cash generation from operations.

They continue to grow on a year on year basis as well as quarter basis. This was our fifth quarter after listing and it is our endeavor to continue the upward trend on a quarter level. This quarter we did revenues of around INR9.96 crores with a PBT of approx 22% and a PAT of 16.5%. We have sustained the quarter 1 growth with a new normal. For investors who are tracking us, just earlier six quarters back we were in the INR6 crores-INR6.5 crores range per quarter. In last four quarters we moved to around INR8 crores-INR8.5 crores range and now we have successfully moved to INR9.5 crores range.

We could have crossed 10 CR this time barring the currency issues in JPY but nevertheless, we know that we are on the growth momentum and an upward swing.

On a half yearly basis, we are around INR19.33 crores and compared to last year, which was around INR15.75 crores, we have shown good growth. At half year now, we are almost 60% of our last year's revenues as well as PAT or EBIT, all parameters basically which we have covered in the Q1-Q2 itself. Traditionally these two quarters would be our weaker quarters with Q3-Q4 being our stronger quarters. So, today we see a decent visibility where we can sustain our current performance and growth over next quarters.

From a service and geography perspective, the US-Europe did around 52% of our business, while Asia brought in around 48% of our business. Localization or language engineering and IT consulting did around roughly 50% each of our business. Some of the key wins or initiatives for the Q2, we saw increase in our business with our existing UK-based clients. We also saw an increase in Japan business where we successfully set up a multilingual or bilingual support center in Japan for our customer, which has grown to around 15 members now and it will continue to grow.

Fidel also saw some key new clients in the form of PSUs and premium educational institutes. These are companies or institutes trying to develop AI models for which they require multilingual data sets where again Fiddle works. We have added five new clients and continue to add from different geographies.

From a competency and strength building in last quarter we also spent some time and efforts to on-board new members on the sales, pre-sales, delivery side, which has shown some increase on our employee benefit costs but I am sure that in next few quarters, we can see this adding to the top line.

Fidel has increased this hiring on two fronts, on the sales front as well as on the delivery front. We have also implemented some ERP for localization. This is to have better control on our operational efficiencies on different projects.

We also encouraged our team members to go for certifications around digital transformation cloud technologies and we have successfully gained almost 19 to 20 new certifications. From a marketing and business development perspective, we continue to participate in international as well as domestic events.

Overall, we see a positive outlook. As I mentioned, we have grown to now the next band which is around INR10 crores plus. We plan to continue to sustain the same levels and grow based on the traction that we see in different markets. Asia market, Japan continues to show growth.

Fidel also has deepened relationships with new customers, with a especially a new electronic corporation where we have signed up new contracts. In US, we have revived our relationships with one of the largest US-based e-commerce company I am sure you know and bagged new projects for Q3, Q4 as well as for Middle East. We are seeing some queries and we are trying to grow that market as well.

Overall, that we see a healthy pipeline and have a better visibility. With the sales and marketing team now in place, we plan to spend more of the IPO proceeds in next 12 months to 18 months. This would be in the form of working POCs or participation in events, digital marketing, hiring as well as other customer engagement initiatives.

Recently, we also participated in events in US, in Dubai related to language engineering as well as IT services. We see a good amount of interest around multilingual data collection, data modeling for training AI engines. Our offerings have of course moved beyond language engineering services where we have continued to add around bilingual managed services or security consulting services and so on.

We continue to expand our services portfolio as we partner with clients and sign new MOUs. Lastly, as we continue to grow on fronts are, from the NSE Emerge website, we can see that, Fidel also sees a decrease in the lot size of 1,000 shares from October 30, onwards, ensuring more liquidity. We welcome these new investors.

With this, I would like to pass back to Yashashri. I hope you got a good overview of Fidel, our current quarter numbers as well as new prospects that we see. Thanks a lot.

**Moderator:** Thank you very much. We have a question from the line of Ankit from Vijit Global Securities. Please go ahead.

**Ankit:** Yes, thanks for taking my question. Congratulations on a good set of number, management, sir. I have a question about, you mentioned that, you won some clients from PSU and like Education Institute. Can you just throw some light on, what kind of PSU projects we are doing and what are our clients and what kind of work we are doing for them?

**Sunil Kulkarni:** Yes. Thanks. Greeting, Ankit. Really appreciate you joining the call. Thanks a lot. So basically, with this, I think the name is already on our website, etcetera. So recently we did sign up with Rashtriya Chemical Fertilizers, where we see they have projects around some implementation where they need reporting and documentation coming out from their system in local language, basically. So there they had floated the tender where we got awarded with that. With the other educational institutes, there are IIT, Chennai and such premium institutions, who are developing or building different language models.

And of course, they might have government mandates and so on. But for us, we have for Indian languages like Kannada, etcetera, we have received interest. We were shortlisted for creating data collection or building data models around these few languages. Yes, I hope I could answer. Mandar, if you want to add anything, feel free to add.

**Mandar Inamdar:** Yes. Another success with the leading organization is under the Ministry of Information Technology, there is an initiative named Bhashini. And I'm happy to inform that, Fidel has been shortlisted and on-boarded to accept any projects that would come through different government ministries. So that was the recent win, which I would say that we technically qualified and empanelled now. Business is yet to follow now, it should follow in the coming quarters.

**Sunil Kulkarni:** But to add, Ankit, we see some these kind of local language initiatives where e-governance and government on various fronts is trying to add language as a layer, basically.

**Ankit:** I have got it. Thanks, Mandar. So, one more question I have related to this. So what kind, what percentage of revenue do we have, how much percentage we are getting from PSU and these new clients?

**Sunil Kulkarni:** I don't think we can answer that exact, but overall, we see traditionally our 80% would be our exports and around 20% to 50% or 15% to 20% would be our domestic revenues. Now in this, we are trying to see how we can grow the domestic revenues as well. As India grows, we want to ensure that, we also have some pie there. And hence, these initiatives where we are trying to look inwards and do some efforts around doing POCs or participating in such tenders and contracts.

**Anil Patwardhan:** Yes. Thanks, Sunil. And Ankit, this is Anil Patwardhan. I just wanted to give you a flavour that, see, we are trying to broad-base our customers and PSU is one such addition whereby we would like to make it a little more broad-based. And so, we see some initial successes there and now we would like to build that revenue stream as we go forward and this will be -- this will help improve the sustainability of revenues as well as the visibility as we get a little more insight into PSU business. Does that answer your question?

**Moderator:** Thank you. We have a next question from the line of Manan Madlani from KamayaKya Wealth Management. Please go ahead.

**Manan Madlani:** Yes. Hi, Sunil. Congratulations on the set of numbers. My first question would be, what should be our employee strength as of this quarter end?

**Sunil Kulkarni:** Hello. Namaskar, Manan. Thanks a lot for your question. Mandhar, you have the latest. Can you share it?

**Mandar Inamdar:** Yes. We are around 230 people as of now.

**Manan Madlani:** 230?

**Mandar Inamdar:** Yes, Yes. This is on the payroll. Outside this, we also have a few set of dedicated contractors who work with us, especially on the language side of business.

**Manan Madlani:** Okay. And how many of them are working from home currently?

**Mandar Inamdar:** So, today we have a hybrid model of working. So, almost every employee today comes to office at least once in a fortnight. There are some people who come to office every day. They would be around, say, 30% of the total staff. There are some people who would come to office thrice a week. They constitute majority of them. And there are very few who would come once in a fortnight. So, we are kind of coming out of that earlier model during the COVID and ensuring that we have a better employee connect.

**Sunil Kulkarni:** Yes. Here, I just want to add, Manan, that senior management, sales, marketing, and few roles, they almost come daily. And then there are some certain roles where we know that then those people, of course, have the flexibility of coming thrice a week or once in a fortnight and so on. Our current premises house around 200-odd members. So, we also are not trying to encourage mandatory because we just don't want to add new place unless we grow really sizable to 500 people and so on.

**Anil Patwardhan:** Yes. Okay. I think we should continue with hybrid model, correct? Because that will actually add to our efficiency and also productivity. Yes. So, Manan, I believe you got the insight into this.

**Manan Madlani:** So, any reason for the other expenses -- increasing the other expenses in this quarter?

**Anil Patwardhan:** Direct expenses increase is basically we have added certain headcount. Okay. And as I was explaining, we have hired some key positions in technology domain. So, that cost has actually gone up. But we will be able to leverage that as we move forward.

**Manan Madlani:** So, would it be fair to assume that the cost will stay at current level?

**Anil Patwardhan:** Sorry?

**Manan Madlani:** So, would it be fair to assume that the other expenses amount which is shown in other expense is going to be intact?

**Anil Patwardhan:** No, I have not understood your question.

**Manan Madlani:** So, I was asking that this other expense amount which is shown, is it going to be stable here?

**Sunil Kulkarni:** I will answer that. Namaskar, Manan. So, basically, this will be more than stable. I think it could also grow as we see -- as we continue to add new services or as we continue to grow. So, just to give you a flavor, basically, earlier around two years back or five years back, when we would go to a customer, we would say, I have Python engineer and we can do programming for you or we can do some language filtering for you or something.

Today, when we have added these new senior members, what we are trying to do is, we are trying to approach CXOs of product companies, let's say Indian company or foreign company and say that, what is your product internationalization strategy? Can we help there? Who are the global vendors that you are working with?

And how can we help you against them or how can we help you with the product strategy? So, now to top this, we brought in some members now who are senior. And we will continue to add because as we grow, we want to go on bigger projects or bigger project size and so on.

So, these are some investments that we see necessary. And that was one of the reasons that we actually went out to the market and raised something so that we can upfront invest in these kind of initiatives.

**Anil Patwardhan:** And just to add to what Sunil said, I think these other expenses also include certain events participation. Some travel expenses have been incurred and some event participation for sales and marketing team. As well as we have some increased expenses coming out of business development, so there are some international travels.

So, these costs are definitely incurred in this quarter too. As you know, we really want to strengthen our sales and marketing efforts. And over next couple of quarters, we would like to see certain spend happening in this area. But then we should be able to see that action and leverage very soon.

**Manan Madlani:** Correct. And you mentioned earlier that our run rate would be somewhere around INR10 crores to INR12 crores. And which is now revised to INR9.5 crores to INR10 crores. So, any particular reason for that?

**Sunil Kulkarni:** No. I think it was maybe I mentioned in a different listing. Earlier, around six quarters back, we were doing INR6 crores to INR6.5 crores per quarter. Then last year, we slid or we put efforts and moved to now INR8 crores to INR8.5 crores. And this year now, we have successfully gone to INR9 crores to INR9.5 crores. So, every time when we are trying to go upwards, we are trying to see that we are able to hold. So, in our idea, what we are trying to do is to grow.

But first, we should be able to sustain whatever is there today. And on top of that, whatever growth we can chase. So, from INR6.5 crores, now INR8.5 crores, INR8.5 crores, now INR9.5 crores. Now, from INR9.5 crores, for two quarters, we are able to sustain that and move again upward. And these two typical quarters are weak quarters normally in a given area. So, now we believe that by controlling this, how we can go to the next level. Which would be around INR10 crores, INR11 crores or whatever.

**Manan Madlani:** So, there isn't any downward trajectory guide and cut, basically?

- Anil Patwardhan:** No. There is absolutely no reason. As Sunil was explaining, we have a better visibility for second half. And we will move forward from this INR9.5 crores quarterly revenues. You will see the upward trend happening. And over last five quarters, since listing, you will see only growth happening quarter-after-quarter, which is in the range of 20% to 25%.
- Manan Madlani:** Yes, sure. And with the increase in these other expenses, we don't see any margin pressure also, right?
- Anil Patwardhan:** No, if we see the little higher growth than what we see right now, the margins will be absolutely as per our expectations. But this is a conscious choice of the management to invest in business development, sales and marketing. And so, we need to increase our visibility across various markets. We need to participate in various events. And our sales force has to be there in such events. And they have to travel, they have to be in front of customers and prospects.
- Manan Madlani:** And what would be our current level of cash from the IPO proceed? I mean, how much money is left out of INR12 crores that we have raised?
- Anil Patwardhan:** Yes, one second.
- Manan Madlani:** I believe last quarter we utilized INR3.25 crores?
- Anil Patwardhan:** So, we have currently, see if you look at our overall INR12 crores which we had sort of generated from IPO, INR1.3 crores were spent on IPO related expenses. And after that, we have spent almost INR3.78 crores over the last four quarters. And so, balance left is around INR8.25 crores. And as Sunil explained in the beginning, opening remarks, we would like to sort of focus on investing this money in developing various markets as well as strengthening our sales and marketing presence. And over next 12 months to 18 months, we should be able to see this spend happen.
- Manan Madlani:** Correct. Okay. When I see half yearly numbers, so we almost clocked around INR20 crores of top line. So, how much from this would be from our new clients?
- Anil Patwardhan:** I think, see what happens is we have an existing customer base and we continue to get new opportunities from the customers. While doing that, we are also adding certain new customers. So, that ratio, Mandar, should be around 20% revenues coming to new customers?
- Mandar Inamdar:** Yes, so new customers have so far contributed this year around 15% to 20%. In that range, while existing customers contribute to the majority of the business.
- Manan Madlani:** Correct. And from overall top line perspective, how much would it be from Japan itself?
- Mandar Inamdar:** From where?
- Anil Patwardhan:** Japan revenues, they have been in the range of 35%. Correct, Sunil?
- Sunil Kulkarni:** Yes. So, Japan, it varies from year-to-year. But typically, it has been always around 30% to 40% Japan.



- Mandar Inamdar:** The question was about Japan revenue. Japan revenue, these two quarters is 38%.
- Manan Madlani:** Correct. Okay. Thank you. And last question would be, our numbers are increasing in the range of where our revenue is increasing. So, any particular reason? Is it from the PSU side or would be better if you can throw some color on that?
- Anil Patwardhan:** No, from our receivables perspective, I do not see any reason to worry. Last quarter receivables may get reflected there. And naturally, we have transactions happening with Japan entities. So, those receivables, in the first -- fortnight of October, we have received some major chunk from Japan entities.
- Manan Madlani:** Fair enough. That is it from my side. I wish you all the best.
- Sunil Kulkarni:** Thanks a lot. Really appreciate it.
- Moderator:** Thank you. 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, Yashashri. Thanks a lot, all, for joining this conference. Your interest and your questions help us to again charter our growth. We will continue to keep you updated about our progress, take hints, take suggestions from you. We monitor the market as well and continue our journey. While we are running from a quarter-to-quarter basis, we have a long-term view. As PM Modi mentioned, it is Amrit Kaal, next 25 years. We would like to keep our momentum. Thanks again for joining us for this conference call. Thanks to our team as well for chipping in. Thanks.
- Moderator:** Thank you. On behalf of Fidel Softech, that concludes this conference. Thank you for joining us and you may now disconnect your lines.