

6 Feb 2024

From the desk of our Managing Director

Fidel continues to post growth and sustainability:

- Fidel Softech Q3 revenue grows by 20% YTD as against the revenue of Q3 FY23.
- Revenues are consistent and sustained QoQ in the current year.
- Positive Cash Generation from Operations during the year so far.

Financial Highlight for Oct to Dec Quarter 2023-24

This quarter we continued the usage of IPO funds raised for our working capital usage in new team forming, opening up new office, branding (event participation, advisory appointment), sales and marketing (hiring, increase in event participation, digital marketing), business performance optimization.

(Rupees in Lakhs)

Particulars	Q3 FY24 INR	Q3 FY 22-23
Business development	43.43	7.30
Membership and Event	6.07	3.88
IT Infra % Licenses	24.25	--
Total	73.77	15.36

And we can see the results due to the new employees and clients coming onboard.

(Rupees in CR)

Particulars	Q3 FY 23-24	Q2 FY 23-24
Revenue	10.14	9.54
Profit Before Tax	1.79	2.17
Profit After Tax	1.35	1.65
EPS	0.98	1.20

This quarter was remarkable on many fronts -

- For the first time in Fidel’s history, its quarterly revenues crossed 10 CR INR.
- Fidel also signed a new deal for a langtech engineering and language localization work for which Fidel has setup a Hyderabad office and started with a team of 30 members (started on Jan 15). An additional annual revenue of 6CR-9CR+ INR is envisaged.
- This Q we see increase in direct costs ie salaries & outsourcing as well as indirect costs i.e sales and marketing costs. Some of the factors for the same are –
 - Upfront hiring and ramping up of team for Hyderabad office from Q3 itself
 - Multiple pilots & tests to win the bid and get the project
 - Other increased hiring (eg. finance manager, sales) in other departments
 - Increased marketing and sales push
 - A one-time training costs for the new TMS (translation management system) Plunet

For some of these new opportunities, we see this as a needed strategic investment. We will see increased billing from January itself thereby reflecting in the Q4 results
- Fidel continues to focus on operational efficiency and implemented a new TMS (Plunet TMS) that will enable it to manage project based P&L more effectively

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- e. New 5 clients were added in this quarter
- f. A new MOU was signed up with Awraaaq a Saudi based FinTech client to develop FIX based adaptor and provide connectivity to local brokers in Saudi Arabia
- g. Fidel successfully delivered an AI multilingual prompt & responses project for a global e-commerce & AI engine firm
- h. Fidel also initiated support around ServiceNow ITOM (IT Operations management) to its global clients besides ITSM (IT Service management)
- i. Key hiring of this quarter include hiring of a finance manager, a channel & partnership sales manager and some other key members in project management etc

We are as usual cautiously optimistic of the overall business sentiment and continue to seek opportunities that arise from such markets.

Way Forward –

Overall, we have a very positive outlook for the remaining months of the year. While our growth is on track, we need to continuously look at ways to increase our EBIDTA & PAT margin.

In coming quarter -

- We continue to stabilize the new Hyderabad office operations and optimize the delivery teams
- We also see clients opening up new discussions at scale as Fidel has demonstrated that it can build a team of 30 members in India or 15 bilingual Japanese members for Japan client. This has been possible in last 1 year and precisely our IPO proceeds help in upfront investment and to take up new challenges
- Fidel also sees some openings in AI where there is work around multilingual LLM and optimization.
- One of the new client comes from electronics domain and Fidel continues to explore new opportunities around programming and design.
- We continue to optimize our operations by focusing on talent development, training and re-skilling existing staff. Further we are planning ahead for the next fiscal year to ensure sustainable growth. We continue to invest in hiring talent, developing in-house or partnering for tool development and automation so as to better productivity and go for scale.

Currently, we continue to see stable demand and requirements from our clients. We continue to work on a two-fold model - **Sustain and Improve** business performance and then **Grow** the scale of operations. This way, we are protecting the downside as well as opening ourselves for rapid growth.

We have a long-term view and continue to better our performance while navigating through the current business scenario.

Thank You.

Disclaimer

This note may contain "forward-looking statements" – these are statements related to future. In this context forward-looking statements often address our expected future business and financial performance and may contain words such as "expects, anticipates, intends, plans, believes, seeks, should or Will". For us uncertainties may arise from fluctuations in forex, increase in recruitment costs, attrition in key positions and other factors affecting the demand including those of a political, economic, business, competitive or regulatory nature. Actual future results may differ substantially or materially than those expressed in our note.