



# “Fidel Softech Limited Q4 & FY '24-'25 Earnings Conference Call”

**April 30, 2025**



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**Moderator:** Ladies and gentlemen, good day and welcome to Fidel Softech Limited Investor Call for Quarter and Year Ended 31st March 2025.

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 touch tone phone. Please note that this conference is being recorded.

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

**Sunil Kulkarni:** Thanks a lot. Really appreciate. Namaskar.

Welcome to the Q4 FY '25 and FY '2024-'25 full year Investor Call for Fidel Softech Limited. My name is Sunil Kulkarni, and I am the CEO and whole-time director of Fidel Softech Limited. Thanks for your time today for joining our call.

Welcome, everyone. I am pleased to present the financial performance of Q4 FY '25 and the full year financial year 2024-'25. For those who are new to our Company, Fidel is an IT services and solutions Company. We assist clients in going global or local by delivering technology-driven solutions with the last-mile delivery in local languages. Language services together with the technology services is our niche. Our services include IT and consulting services, language localization and engineering services.

Recently, we have also started offering Japan-India consulting services, reflecting the growing interest between these 2 countries and leveraging our experience. This quarter, Fidel has registered the sales of INR 14.61 crores with a PBT of INR 4.13 crores, marking a top-line growth of INR 3.21 crores quarter-on-quarter growth and a 31% year-on-year growth.

At the outset of this year, we have started the Q1 with around INR 11.5 crores. And now, in Q4, we are doing roughly INR 4.5 crores, INR 4.6 crores, around INR 15 crores kind of run rate. Fidel has reported total yearly consolidated sales of INR 55.04 crores with a PBT of INR 12.51 crores and PAT of INR 9.34 crores.

Effectively, Fidel has registered top-line growth of 37.29%. So, last year we did around INR 40.09 crores and now we are around INR 55 crores. And for the same period, PAT has moved from INR 6 crores to INR 9.34 crores, INR 6.06 crores to INR 9.34 crores, registering a 54% growth.

At the start of this fiscal year, Fidel had set the outlook. We had said that we will go for around 30% to 40% growth in top line. And now we have achieved 37%.

Growth is never enough, more the better. But I am really happy for our team who helped us achieve or deliver this target. While we have worked hard, I think it's God's grace and luck as well that helped us to meet the right client at the right place at the right time.

So, we continue to work upon and grow further. We had gone public to take the Company into the next level. And while we have a long way to go, I think we are moving in the right direction. So, around 3 years back, we were roughly doing around INR 6 crores per quarter, yearly around INR 24 crores. And now this year, we have gone to around INR 55 crores. Fidel is more focused on exports market, reporting 90% of our business coming from exports and around 10% from domestic market.

While 40% of the Fidel revenues come from APAC, India included, U.S.-Europe contributes around 60%. The break-up between IT consulting services and language localization services is 35% and 65%. So, IT consulting is around 35%, language localization is around 65%. This percentage changes from time to time, sometimes it's 70%-30%, 60%-40% and so on.

While revenues are growing, we continue to focus on bettering our PAT as well. We are focused on growth and have seen continuous sequential growth for almost 12 quarters.

This year also an improvement in EPS, and we hope or we plan to take it to double digit number in coming quarters. We grow, but we also want to ensure that this is sustainable. So, from around quarter INR 6 crores, 2 years back we moved to INR 8 crores, then around INR 10 crores and now around INR 14 crores. So, every year we are ensuring that we are doing better. So, this growth, we want to keep it sustainable, allow us to stabilize process, focus on key hiring and refine our operations towards achieving excellence. We have an active strategic base planned of around 25 clients, and around top 10 clients contribute to around 70%-75% of the revenues.

Our Hyderabad operations that we had started last year continue to give stable revenues. While the U.S. office has slowly started generating revenues from this quarter. So, last September we had set up the office, by October-December we had formalized local logistics and from Jan onwards the actual sales started. So, we have one quarter where we had this consolidation. Likewise, we are also looking at tapping similar opportunities in India and abroad.

We continue to develop our competencies and optimize our operations. We have put together a team that focuses on AI-enabled services. AI is vast and daily there are changes happening around it. So, we are mapping our clients and we are trying to see how they could benefit from any particular use case where we leverage AI.

It could be AI enabled bug fixing or AI enabled web development that is fast and saves time for them. Besides this, we are also trying to develop vertical competencies around capital markets and manufacturing. From a cash flow perspective, we continue to monitor and we see a steady cash flow generation.

With zero debt and positive cash flow, this gives an edge to further invest in any new growth opportunities. We also continue to monitor our receivables and we plan to bring it more down the better, as in less than 88 days, less than 70 days and so on.

From the initial IPO proceeds, we still have around INR 3.7 crores of IPO money to be invested, and we are using that judiciously as we proceed. Today, the Board has also recommended a dividend of around INR 2 per share to our investors. This is subjected of course to AGM and shareholder approval.

This translates to around 30% of our profit. In the initial year itself, we had mentioned that we want to be on the list of dividend paying companies. With regards to the remaining profits, we will further invest in R&D, employee benefit, adding new key skill sets and talent, developing new competencies and expansion.

We continue to chart growth and open for any possible growth opportunities. We have also taken a Board approval and a sanction letter from our bankers for a loan amount up to INR 20 crores to INR 24 crores. If we don't need, of course we will not take it. But in case we foresee some opportunity, we want to ensure that we can take up with speed and have all relevant logistics planned up. We also have got a Board approval for acquisition of Fidel Technologies KK Japan. This was the point for our investors from day one.

From day one, the offshore business was always getting passed to Fidel India. But the onsite business was managed by Fidel Technologies KK. So, this gives us now better control and adds better transparency.

At a very broad level, we believe that we can get an additional top line of around INR 15 crores or so. This is INR. Because some business of around INR 10 crores is already being outsourced from Japan.

Regarding PAT for the Japan entity, it is single digit, and we hope to improve it further. So initial 2 to 3 quarters, we will try to streamline operations, improve opportunity to cross sell and see if we can ensure a stable growth as well as a better PAT.

The coming year, there is political volatility across the Board. AI impact is seen across. So we continue to be optimistic and cautious. Our contribution to the global economy is very less. Like INR 50 crores Company or INR 60 crores Company is very less. So we believe that these macro factors should be looked upon from a steady perspective. And we should continue to chart our growth of 30% to 40% through organic as well as inorganic methods.

Some of you might feel that while the entire IT industry seems to be really under pressure, why would we be confident about growth? There while of course we have our own anxiety and we continue to look at our customers, check them. Few things that we believe that we are doing differently.

One is focus on Japan. So while everyone was always focused on U.S., we have some goodwill created in Japan, where there are demographic issues, shortage of talent. And we hope we can leverage the same.

Second, the current movement around AI. So while many companies are still putting strategies around AI, we already continue to see work around AI from our customers. Be it creating multilingual datasets, checking output of AI engines and so on.

So in a way, I think we are better positioned around AI-enabled services. Balanced growth strategy with a focus on international as well as domestic. So in India as well, we continue to see new customers who are looking to go either global or local and seek technology and language services and solutions.

India is of course a very different value-driven Indian market. And there as well, we are trying to see how we can extract profits, though the business is still small. Lastly, SMEs where we are delivering ERP services and so on in Japan or other countries, they are also trying to go for digital transformation. So all these factors together, we believe that there is still room to continue with our growth plans.

Thank you for continued support and belief in us. We will continue to focus on strategies outlined by us for Fidel, driving accelerated growth of the Company. We will keep balancing the investments required to drive this growth versus profitability with a clear focus on generating positive cash flow.

Thanks a lot for your time today and I look forward for any questions. Thanks.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. First question is from the line of Saket Sarogi, who is an individual investor. Please go ahead. Hello.

**Saket Sarogi:** Namaskar, sir. Sir, actually, I had recently heard on the last con-call. What I could understand from my side is that you are planning for 10% growth quarter-on-quarter for some time ahead. If I am not wrong, but for the last two quarters, the growth has been very tepid. Could you explain the reason why?

**Sunil Kulkarni:** Basically, at our end, we want to grow at 40% per annum. But if I tell our sales people that let's grow 40%-50%, so people suddenly get jittery, like how will it become so much.

So, at our end, what we have told our team members, 8%-10% every quarter we want to grow. If we can translate that exactly, 8%-10%, 12%, 5%, 4%, whatever. Total 40% or more we want to go. So, first two quarters, we did 10%, maybe some other 11%. So, I understand the point. But at the end, whether we can continue with just exact 10% or 8%, depends on the business. But overall, we tried to achieve around 40%. We did around 37%. And I am looking at that perspective.

One quarter, we might see de-growth for all that matter. I don't know. But from a long-term perspective, growth is happening. This is the way I would request you to look at.

**Saket Sarogi:**

But the point is, suppose in the half-yearly meeting, you are seeing 10% growth for some time ahead. Then the next two quarters itself, the things don't fall in place. So, how will you justify your commentary on this quarter?

And again, in the next 2 quarters, things don't fall in place. So, in that case, I am asking. When suppose somebody is given guidance, he should have some ballpark knowledge of the kind of business he is at, right? I am asking in that context.

**Sunil Kulkarni:**

So, I think maybe we were too bullish around that. We should temper around. So, maybe from this year, it might be better for us to say 3% to 5% growth. And then if we better, as you rightly mentioned, if we better ourselves, then of course, the investors would be happy. Because what happens is many times, meaning when I say 10%, 8%, we have a look at our pipeline and what we are looking at. But some business maybe don't appear, go through.

One of the big projects that we had, that materialized in April, which was supposed to be coming in last quarter. Of course, that will come in the next quarter. So, this is our third year. In the first 2 years, we never said that there will be so much growth. But this year, we said, told ourselves, no, we can really shoot for 20%-40%, and then so on.

So, I got your point and I understand. Internally, we are also asking, we were saying 8%-10%. Suddenly, why 4%? And so, I understand. So, I am of course, taking this very positively.

**Saket Sarogi:**

Yes. Yes. Yes. Sir, one more question. Sir, the kind of business line we are into, right? So, if you could give me some brief idea, like who are the main competitors in India in our field? And the growth you are seeing 30%-40% ahead. So, till what time you see, like 2-3 years, you see this kind of growth is maintainable? Or what kind of opportunities do you see that is bullish on the business growth prospects?

**Sunil Kulkarni:**

I personally think, earlier when we were bootstrapped, at least we had this reason that, let's say, we don't have money. We cannot hire sales people or we cannot pay and so on. Today, in next 2 years, if we don't cross, say, INR 100 crores or whatever, this year, next year, whatever. Then it's only up to us, what is happening, kind of.

If business at, say, \$500 million, \$1 billion growing business is, of course, difficult. But from INR 50 crores, if we have to do INR 70 crores, let's say, from INR 55 crores, say, 30%-40% growth, roughly should take us to the next year to, say, INR 70 crores to INR 75 crores. I think that if we cannot do that by organic, inorganic, whatever means, then there is a problem in the business, for example. Or we have a problem in ourself.

And there is no question of Trump or tariff, I think. So, I believe that growth is possible. Our industry, there is requirement. AI also, we are directly working with end customers in some cases, in some cases with global customers. So, I think, at our level, this 30%-40%, next 3 years, 4 years, at least. I don't know about the next 5-10 years. But, next 2 years. So, we had told ourselves, maybe, in the first call or the second call, we had said, internally, we have said, 5x in 5 years like we told for ourselves.

**Saket Sarogi:** Right, right, right.

**Sunil Kulkarni:** So, we were doing INR 25 crores that time. But, as soon as we said 5 years, next year, immediately, the whole team moves. So, first 2 years, we said, we will grow by 20%-25%, and third year onwards, let's accelerate. So, now, we are in that 37%. Fine. Now, next year, again, can we continue this pace? Great. So, we just want to ensure that we are moving ahead, we have to go less behind, kind of.

**Saket Sarogi:** Right, right, right. Sir, one more question I would ask like who are the competitors in our space, in India, suppose, if you can help with that?

**Sunil Kulkarni:** So, now, in this, there are 2-3 aspects. One is Vanilla Translation Agencies. So, we are not that. Then, there are Vanilla IT companies, say, Persistent or some other, and so on.

And then, there are these companies, there is a Company in Bangalore called, say, Reverie, which was acquired by Jio. They are into, say, device driver or they are into keyboards or, say, voice-based something and so on.

Then, there is a chatbot Company in Mumbai called Haptik, again, acquired by Jio. They focus only on chatbots. Again, we are also partners with Haptik. If there is any implementation, they call us, kind of. But this kind of services, there is a Hyderabad-based Company, not listed, key point. Again, they were originally doing keyboard, device drivers and so on. But this language and technology focused on global, we can't see it.

Then, there are global companies called Lionbridge, RWS, who are also establishing their GCs in India. Lionbridge has been around for 20 years. Globally, they are also our customers today. Because sometimes, their own teams are packed or whatever. So, they will give business to us.

But if you take, and that's where, and globally, there are companies who are doing, say, \$100 million, \$500 million, \$1 billion. So, can we set up a Company in India or can somebody like us do, say, \$25 million, \$50 million, \$100 million dollars in next few years? Quite possible. Today's time, why not? Is our premise of this thing. So, will it be \$500 million dollars or not, but can it go up to INR 200 crores in next, in this? So, it shouldn't be a problem, kind of, is the thought process. Yes.

**Saket Sarogi:** Okay, okay. Thank you so much, sir. I will join the queue. Thank you.

**Moderator:** Thank you. Next question is from the line of Divya Daga from Vijit Global Securities Private Limited. Please go ahead.

**Divya Daga:** Hello, sir. Okay, congratulations for such a great number. I have a couple of questions. My first question is, as we are integrating one of our companies, so I want to know the intercompany amount or intercompany percentage that we will be having?

**Sunil Kulkarni:** What is the question? Hello?

**Divya Daga:** Can I know the intercompany percentage that the Company we are integrating is with us?

**Sunil Kulkarni:** Correct, correct. So currently, Japan contributes to around 30% of our revenue. Hello? Okay. Yes, yes, yes. So Japan's main major is, of course, Fidel. There could be 2 or 3 other customers, so, Fidel Technologies contributes to around, yes, yes, 25%, 30%. Sometimes this number goes to 18%, 20%, 25%. Yes.

**Moderator:** Hello? Sir, we lost the connection for the current participant. So we move to the next question from the line of Manan Madlani from KamayaKya Wealth Management. Please go ahead.

**Manan Madlani:** Yes. Hi, sir. Thanks for the opportunity.

**Sunil Kulkarni:** Namaskar, Manan.

**Manan Madlani:** Yes. My first question is regarding the other expenses. So why that number was low for this quarter?

**Sunil Kulkarni:** Other expenses, meaning most of these would be the indirect costs, especially the marketing. So last 2 years, we continued to participate in different events, invest in certain initiatives. And in around October to December, perhaps, again, we had participated. But this Jan to March patch, we saw that some of the events were not relevant to us, or we had already, like, whatever we wanted to get from those. And we were looking at some additional events or things happening in this quarter or next quarter. So those were the few reasons. No major big ticket hiring or no big ticket, any purchase or whatever, other costs. Yes.

**Manan Madlani:** So this is mostly because of lack of any availability of exhibitions.

**Sunil Kulkarni:** No, no. So, yes. So exhibition is like that. We definitely get required.

**Manan Madlani:** Interesting. Interesting one. The one which you were talking about.

**Sunil Kulkarni:** It is a little relevant. If we put INR 3 lakhs to INR 5 lakhs and participate, we will get something like that. So we didn't see that much.

- Manan Madlani:** And how much do you mention the amount we have from IPO? INR 3 crores.
- Sunil Kulkarni:** INR 12 crores. We had a total of INR 12 crores. So now we have INR 3 crores left.
- Manan Madlani:** Remaining INR 3 crores. Right?
- Sunil Kulkarni:** Correct. Correct. Yes.
- Manan Madlani:** And this will be spent for the exhibition only?
- Sunil Kulkarni:** No, no, no. Originally, we had said that for operational, and all this working capital, we wanted to raise this cash. So we will use it only for all this. Any acquisition, we will do either through accruals or we will go for any different, like loan or whatever. But this, basically, whatever we have raised from the market, we want to use it only for working capital. Yes.
- Manan Madlani:** Okay. So basically, the drop in other expenses as a percentage of sales, it was a one-time thing. So from next quarter onwards, it will be in the similar range of what we were having earlier.
- Sunil Kulkarni:** Correct. Meaning, we want to do it judiciously. But whatever. So again, we have to invest wherever we can. But you can consider that. Yes.
- Manan Madlani:** Okay. Second question. Yes. So what's our hiring target for next year? And what's the current number of employees as of, as of 31st March? And how many of them are working from home versus working from office?
- Sunil Kulkarni:** So currently, we have around 204, 205 members at around March 31 level. At a given time, around 80 to 110 members are in office. Our office in Pune has around 200 seats. But not all come. So sometimes it's 120, 130, 95, whatever. So we have this thrice a week at least kind of hybrid. So people come and go. This year again, like in certain teams, we plan to hire, which is like this AI team or this capital markets team where we see some growth.
- In certain teams, we want to ensure that we maintain the same level, but improve by doing more automation. For example, our localization services where we do a lot of project management or a lot of quality, different checks, how we can automate certain process and so on.
- So at least 220, 225, we should reach by Q2 next, at least. But that said, we are also looking at some strategic hire. How can we, say, manage certain key accounts? Or how can we drive our sales in U.S.? And so on. So certain key positions we'll try to quickly hire. But at the operational level, we are trying to be judicious. Yes.
- Manan Madlani:** Okay. Sorry, but I missed the part where you said, how many of new employees you are planning to hire?

**Sunil Kulkarni:** So by Q2, next 2 quarters, at least we want to go from 205 to 230. In certain language roles, we also work with freelancers or individual consultants, who we don't have to actually hire them as employees per se. They could be engaged on an engagement basis.

**Manan Madlani:** Correct. So from this 25 new employees, there won't be any senior level or a 5-10 year experienced employee. This will be sort of fresher.

**Sunil Kulkarni:** No, no. These days freshers we want to, but them, we are still at building level. So as I mentioned, for capital markets or certain, at least 3 years, 5 years, 7 years we need. So the initial few members would be senior members, as I said for sales, for example, or managing some key accounts. So this would be a combination of mid-level and juniors.

**Manan Madlani:** Okay. And on the balance sheet side, if I look at, there's a segment of current investment. Can you quantify what's that? Like the INR 21 crores, INR 22 crores is there in the current investment?

**Sunil Kulkarni:** Basically, yes. So we invest in mutual funds. Hello? So, we have around INR 21 crores in mutual funds.

**Manan Madlani:** Okay. One last question on the Hyderabad side, we mentioned earlier that we are not sure of keeping that office as long as we are having the order, we will keep it, otherwise we can shut it down as well. So what's the plan there? What's the update?

**Sunil Kulkarni:** So initially we started with a 30 people team. So for a global mobile handset firm, we wanted to localize, they want to localize in 8 languages. So 8 into 3 members, 1 developer, language tester, 24 and 6 pm. So 30 people, we started with that. Last year we have added a sales, like a local manager kind of **(Inaudible) (0:29:58)**, and we are also trying to tap different companies, like global companies in Hyderabad, or who have operations in Japanese companies and so on.

So this current business continues even this year, at least next 2 quarters, 3 quarters, we have good visibility. That said, we can shut down anytime, whatever when the business goes down. But at least foreseeable, we have now added sales so that we can tap other customers as well.

So we see some small other projects coming up from other Hyderabad-based clients. These are not still big enough, and some could be just one time, but we are trying to see how we can see some long-term projects there. Global, there are many product companies in Hyderabad, how we can tap them.

In some cases, the decision making happens in the U.S., so they ask us to talk to the U.S. counterpart. In some cases, wherever they can do local, we are trying to see, can we enter the local, yes.

**Manan Madlani:** Okay, thank you so much. I will jump back in the queue.

**Sunil Kulkarni:** Yes, thanks a lot. Really appreciate it. Please continue to follow us.

**Moderator:** Thank you.

**Sunil Kulkarni:** Yes, yes. Divya, I think, again.

**Moderator:** Yes, before we move to the next question, a reminder to the participants, to ask a question, you may press "\*" and 1. Next question is from the line of Divya Daga from Vijit Global Securities, Private Limited. Please go ahead. Yes.

**Divya Daga:** Sir, one question is related to this same thing, the inter-Company one. I want to know this revenue or PAT margins, anything, if you can provide of this year, of that Company?

**Sunil Kulkarni:** So, net-net there is a fluctuation in FOREX rates and these things. But net-net, it is roughly doing INR 25 crores, top line. And total at a total level, the PAT would be around roughly, say, 2% to 3%. Now, in this, I will just break down, around INR 10 crores of business is already coming to offshore. And then, in this offshore piece, there are more profits, like there is better margins.

That delta INR 10 crores - INR 15 crores, your top line that we are getting for onsite business, there are many cases where we have initiated some business with a local Japanese Company just to get a foothold in that Company by having, say, a local Japanese engineer onsite with that Company and so on. And hence, the margins are less. Plus, we have sales. So, in this coming, now, year, we will see how we can average it out, how we can better our this thing and take it to further better, double-digit numbers.

**Divya Daga:** Okay, sir. Can I also know the revenue from Hyderabad office of this year, the full year?

**Sunil Kulkarni:** In the initial call or in the initial days, I had mentioned INR 80 lakhs to INR 1 crores per month, kind of. And total, it will add 10 so we are in that range.

**Divya Daga:** Okay. Okay, sir. One just last question. As we are providing with new hirings and employee data, can you provide me of this quarter, because we haven't released the press release yet, I guess.

**Sunil Kulkarni:** So, last quarter, again, we did around 10, 11 members. Again, when I say 11 members, so some of them are direct employees, but 2 or 3 are kind of just project-based consultants as well. But totally, we had kind of 11 members joining us last quarter.

**Divya Daga:** So sir, in press release, can you provide the bifurcation in the permanent one and the consultant?

**Sunil Kulkarni:** No. So, these 204 members are payroll actual employees, but depending on the projects, et cetera, 20 to 40 at any given point of time, there are all these contractors or something on our kind of contractual basis.

But on payroll or all, like, gratuity and all that perspective, 204 members are on a payroll.

**Divya Daga:** Okay sir. Great. Thanks, sir. I will join next.

**Sunil Kulkarni:** Please Divya.

**Moderator:** Thank you. Next follow-up question is from the line of Manan Madlani from KamayaKya Wealth Management. Please go ahead.

**Manan Madlani:** Yes. Hi, sir. Thanks for the opportunity. So, sir, my just last question. So, what sort of growth are you seeing for the next 2 years on a year-on-year basis?

**Sunil Kulkarni:** This year, I think we are very small enough currently, but if I say something again, you'll see that as a guidance or anything, so please do not take that. But at our end, we genuinely feel that at today, let's say we did INR 55 crores, we should be somewhere between INR 70 crores to INR 75 crores, just pure play, whatever we are doing today.

**Manan Madlani:** By FY '27?

**Sunil Kulkarni:** No, so '25, '26. And then add to it the Japan and that will add. So, why shouldn't we shoot for, say, INR 75 crores to INR 80 crores as well for all that matter is what we are looking at. And by '26, '27, why shouldn't we go beyond INR 100 crores?

Now, entire this 2-years journey, if we can prepone within 1 year also, we want to, so this June 10, we complete 3 years. So, earlier, the NSE, SME2 main board transit, the rules were a bit different than last 2 weeks back. I think they gave some different rules, which we are trying to study.

But one of the rules says that I think last fiscal year revenue should be INR 100 crores and above. So, now we think that unless we do INR 100 crores, we cannot move on to the main boards, which means instead of waiting for 2 years, can we do pre-pone it 1 year, 1.5 year, whatever. So, we want to go for that. But yes, we want to be cautious. Just if I run, it will not be of any use, the entire team has to run.

**Manan Madlani:** I completely get it. So, on a conservative business, like you dream for INR 100 crores, that's great as an investor. But do you see like, maybe not in FY '27, but in FY '28, do you see more than 100 crores? That's my concern.

**Sunil Kulkarni:** No, that's also. And I think we should go conservative only. So, as an entrepreneur owner, we just first want to ensure that we at least do INR 55 crores next year, basically. So, one our territory which is ours today, we want to ensure we hold that.

So, last year, what we did is, '23-'24, we had done INR 40 crores. So, last year at the outset, we said that 30%-40% saying is okay. But how can we ensure that we are really going towards that? So, can we do this entire year's revenue in just 3 quarters? So, the moment we could do that last December, we knew that we have now entire one growth for expansion or whatever growth. INR 1, INR 10 crores, INR 5 crores, whatever. There is growth.

Likewise, this year we did INR 55 crores. So, now internally, we are already saying, INR 55 crores, can we do till December itself? And if we are able to do it, which means then we get again an entire quarter for growth. So, that's the typical way we want to look at. As the first speaker asked the question, like saying 10%, 8% is different, and actually quarter on quarter showing it is difficult. We understand that. So, we want to be cautious. First 1, 2 quarters we will see how we want to maintain that and so on.

- Manan Madlani:** Good, good. Much appreciated. I wish you all the best.
- Sunil Kulkarni:** Please, thank you.
- Moderator:** Thank you. Next question is from the line of Soumil from Lucky Investments. Please go ahead.
- Sunil Kulkarni:** Namaskar Soumyl ji. Yes, please.
- Soumil:** Congratulations on great performance again this quarter. Few questions from my side. You alluded that you are seeing some traction in the capital markets business. So, can you just talk us through that? What is this business? What sort of client you...?
- Sunil Kulkarni:** Correct, correct. So, we had some specialization around fixed connectivity. So, Prachi Kulkarni, our MD, she used to work in capital markets in Japan or she was familiar with investment banking. So, earlier, around 7, 8 years back, we had built our own trading platform. We had deployed it in Nigeria. But then, again, we couldn't see much traction. Then we moved into blockchain, but again, we were kind of disoriented. But from last year onwards, we are again looking at like fixed related services and requirements coming up.
- So, recently there was some event in Mumbai where we participated again, we revamped our connections. So, currently, all this, let's say, management services, language services, these are what we call as horizontals. They would be required in, say, verticals like, say, banking, healthcare, manufacturing. But developing a vertical requires a lot of functional knowledge or a lot of experience. So, 2 verticals that we seem to have some internal expertise, one is BFSI. In BFSI also, not the retail banking, more of the investment banking side, either the buy or sell side. There we have some functional understanding together with our technical, we want to tap.
- And second is manufacturing, where again, because we are partners for Infor ERP, we believe that we have some functional knowledge around that as well. But regarding your point, so, there

we see some services, it could be testing, it could be delivering some connectors, adapters, and so on.

So, around few years back, Rakuten Securities, Japan was our customer; 8 Securities, Hong Kong was our customer. These are not like last 2 years, but at some point we were working with some financial firms in Japan as well.

**Soumil:** Okay. So, this would form a part of the 35% revenue segment that we have in IT services, not language localization, right?

**Sunil Kulkarni:** Yes, there are 2 aspects here. So, one is, let's say, if you get this work from Motilal Oswal, for example. Sorry, Motilal Oswal, meaning any Company in India, and they say, we will do it in English, there is no problem. Then this could be, as you rightly mentioned, come under directly...

But we are working with, say, Japan Rakuten Securities, where while there is IT services, there is some data migration, some data related, where some Japanese language, something is needed. So, that part could come under some language localization or something could be there, yes.

**Soumil:** Okay. So, out of the 65% language localization, you mentioned 30% is Japan-related services.

**Sunil Kulkarni:** No, no. Total in our business... Hello?

**Soumil:** Total 30% is Japan?

**Sunil Kulkarni:** Is Japan, yes, yes.

**Soumil:** Okay. So, if I have to understand it from language localization, can you just give me a breakup of what languages primarily are you working on? Is it vernacularization in India or taking Indian firms globally? Can you just give us a split of that?

**Sunil Kulkarni:** Yes. So, just from a number basis, we have worked in, say, 100 plus languages, just number basis. That said, we get typically asked for Indian languages, India maybe 10 to 12 major languages, like Hindi, Tamil, Telugu, Marathi, Gujarati kind of ones, and then Japanese language, because again, because of our presence.

Now, besides this, because of our presence in Japan, which is far east and India far south, many of the U.S. or European companies also feel that, hey, can you do Thai? Or can you manage this project where, say, Sinhalese is needed? So, there we might give some services in that as well. So, mostly Asian languages are seen, but many Indian companies are trying to go to Latin America, to Europe. There then we see requirement for German, French, Spanish, and Portuguese and then so on.

**Soumil:** Okay. Okay. Got it. And in terms of guidance for growth, you mentioned that, again, like what you said for the last few quarters, that you want to meet last year's revenue figure in 3 quarters and the fourth quarter you have for growth. So, just to understand the Japan business that we are now consolidating, that would totally add on to the current business or because we have some related party transactions with that business?

**Sunil Kulkarni:** Yes. Correct. So, the additional delta we foresee is around INR 10 crores to INR 15 crores.

**Soumil:** So, that will, additional delta of INR 10 crores to INRR 15 crores?

**Sunil Kulkarni:** Yes.

**Soumil:** Okay. Okay. And the PAT margin you mentioned there is 2% to 3%.

**Sunil Kulkarni:** 3%. Yes. Yes. But we want to better that as well. Yes.

**Soumil:** Okay. And on the standalone business that we have right now, do you see today's margins sustain into next 1-2 years?

**Sunil Kulkarni:** At least the business that we are in, we see that margin sustain. At the same time, when we want to enter into a new account, let's say, so there, if it's a complete new, like a blue ocean kind of a client, there, then we have some better margins. But if it is, we are trying to displace an existing vendor and enter, then we, at some point, we have to compete very heavily and let go some margins there.

That we are trying to do judiciously unless we foresee more growth in that particular account or particular client or it's some that logo that we desperately want and so on. Or in some cases, in Indian context, in some bank or in some government related tender, if you want to really go through, there we are trying to see. But we don't want to just dilute ourselves for, because this combination still, clients are paying us better rates.

**Soumil:** Okay. So the quarter on quarter variation in margins, can it be attributed to this, this factor that you just mentioned or is it how the revenue will build or something like that? There are 2, 3 aspects.

One is, of course, when we are trying to grow customer, good customer is there, potential is there. In the beginning, even if the business is \$1000, that's fine. But can we grow further? Let's, in some cases, let's do a POC. Like doing free POC, can we show something of AI?

**Sunil Kulkarni:** And in some cases, we ourselves are also trying to participate in these events. And there we are not still doing a good job of balancing out all our costs or everything in the entire year or hiring. There is no position open, for example. But some good sales guys coming out of my competitor,

and he reaches us out. We want to carve out a position and without thinking whether that will affect this quarter margins or whatever, we just say, if we are getting a person, let's take him.

So the little variation that you can see, it's because of some of these unplanned things. But if you look at a particular business, INR 100 rupees work is coming, and do we understand the costs around that? And can we carve out, let's say, a 20% PBIT? I think we understand that. So in that, as we say internally, can we shoot out for, say, 40% top line and 20% PBIT? This is what we say inside, in the team. I am trying to see.

If you do sometimes, say, 14% for some reason, but in turn have grown dramatically, added some new logos, accounts, where there is future, like, foreseeable growth, of course, we want to add. But otherwise, we are ensuring that, we have let go some projects as well, where it was a one-time project and at throwaway rates. So we don't want to do it. It's not going to happen again, let it be. So we are also trying to approach this judiciously.

**Soumil:** And you mentioned you're seeing traction in the AI division as well. So can you just take us through a couple of case studies? Of what sort of AI? You mentioned AI, right?

**Sunil Kulkarni:** You have mentioned AI, right? Yes. So how is it now? Let's say, so how is it now? So one is, today also we are getting some work. And then there is some futuristic that we are trying to establish ourselves into AI. So what type of work do we get today? So for example, companies are developing AI engine.

So just to give an example, like, say, Amazon, this is my favorite example, because we used to do this work 3-4 years ago. But Amazon's Alexa can speak English today, and to make it talk in Hindi, we have to collect data sets. Hyderabad Hindi, Punjabi Hindi, Indori Hindi, Lucknow Hindi, and so on.

So today, while we are not getting that, today, the example that I am giving, we are not getting work from Amazon. But a fellow, similar like Company, where we have been asked to collect data for Maharashtra, eight type of Marathi, Marathwada Marathi, Vidarbha Marathi. And these are like 1,000 hour work, 2,000 hour work. Total sum could be, let's say, \$60,000, \$40,000, or whatever, this kind of projects. So this is a data collection project. And data collection, meaning, in data collection, there is data cleaning, then there is a bit of modeling, and after that, we will deliver it to clients. So this is one.

Two is, we get AI-generated output, and whether that is correct or not. So if we, just to give an example, if you ask today to chat GPT, hey, I am feeling depressed. I want to jump out of window. It shouldn't say, go ahead. It should have that empathy to say, hey, life is beautiful. Why don't you think about gaming, and so on. So we get regularly data sets from customers. We are doing this particular work. Can you evaluate this? And then there are ways to evaluate. Sometimes it's, again, digital. Sometimes you have to process that, and so on. So, somebody is

building an AI product, or AI engine, or AI LLM, for which we are servicing them today. So, we are already there, in a way.

Now, other side of it, now we think that my customer is, let's say, a real estate firm, or a capital market firm. How can I help them? Now, the CIO says, Kulkarni, we also want to deploy AI. But we don't know where we want, or how can we? Then we are saying, can we leverage it to, say, debug your code? Today, let's say, you are getting a code written from a vendor. To review that, you have brought three engineers. Can we do an AI-based review of your code?

And shorten your, say, code cycle? Now, this, we have tried it at our end, in-house. We are saying that, we have tried it, we got these results, we can do it for you. So, now, these are the AI-enabled services that we are trying to take.

So, some customers are easily saying, okay, I have a budget of \$10,000, let's try it. Some people say, no, no, let's do a demo, POC, and so on. But people have interest in AI, but they are taking it cautiously. At least at the production level. Ghibli, ChatGPT, freelancers are using it, but at the corporate and enterprise level, people are still cautious. Beyond chatbots and so on. I am talking of real use cases in their Company.

I hope I have answered it. So, we think, there is an opportunity, but how will we translate it and get money in the bank account? It will take some time. So, we are also trying to work around that.

**Soumil:** Understood. If I may, can I ask a couple more questions, if nobody else is ready?

**Sunil Kulkarni:** Please. Yes, yes, please.

**Soumil:** One thing, what is the average tenure of your project? And if it is an elongated tenure, to that extent, you should have some visibility of revenue over the next 2, 3, 4 quarters, whatever. So, can you just guide us on that? You mentioned one project was pushed to AFL, so that will be built in 1Q. So, when you are guiding for 30%-40% goes for next year, how much of it is clear-cut visibility? How much do you expect to add in terms of clients?

**Sunil Kulkarni:** Correct. Got it. So, thanks a lot. So, meaning at our level, there are two types of client. One is where we have, let's say, master contract, where we have defined an hourly rate, or for a particular language, per word, per this, whatever, this thing we have done. And then customer continues, their teams will continuously give us work. And then at the month end, how many hours we have consumed, which language, what we have worked, we will invoice and send it. There is a customer like this.

There is a customer who has given us a turnkey project. Like, let's say, he has given \$40,000 project. We have given that. The project is over.

And one is where we are working on some project, where it's time and material. We have put 4 engineers on it. And it is going on. Someone has been doing it for 7 years. Its maintenance is going on. Someone has been doing it for 3 years, and so on.

Okay. So, in our case, currently when we are looking at any this thing, ideally, we want to have a visibility of 70%-80% of our target revenue. So, last year, let's say, when we started at the outset, and we mentioned, we want to go above 50%. So, roughly, we have today 60% visibility. Let's say, I want to do INR 70 crores. So, I might have visibility around INR 40 crores to INR 45 crores. Like this much will happen anyways, kind of.

Now, Delta could be some of the one-time projects that we did. We are waiting for the customer. Can they start with the AMC or something? Or complete new outset project that clients that we want, and so on. And sometimes the maintenance customer says, I want to do it in-house. I will not do maintenance. Or sometimes they will continue with that, and so on. So, this 60%, can we take it to 70%-75% or 80%? Of course, we want to. But today, we believe anything above 50%, at least, is still better. So, we have that visibility.

**Soumil:** Got it. Got it. One final quick data-keeping question. How much of the top 1, 2, 3 clients account for in your revenue?

**Sunil Kulkarni:** I have my colleague Mandar here.

**Mandar Inamdar:** If we look at our customer base today, we have almost 85%-86% of the revenue being generated by our top 10 customers.

**Soumil:** Top 10 is 85%?

**Mandar Inamdar:** Yes.

**Soumil:** And top 1, top 3, top 5? Any break-up like that?

**Mandar Inamdar:** So, if you look at top 3 customers, they will contribute to almost 50%.

**Soumil:** Top 3, 50%. Yes. Okay.

**Sunil Kulkarni:** I will just add to it. This is like, every year this slightly changes. So, what we have tried to consciously or judiciously check that, top 25 customers should typically have 75%-80% kind of in that. That we have last 2-3 years. We continue to see.

**Soumil:** Got it.

**Sunil Kulkarni:** So, in this we also want to ensure that let's say today somebody is giving us 200K of business. Can we take that or nudge that client to go to say 400K or 500K? Somebody who is giving us

\$0.5 million, can we take them to \$1 million dollars, and then so on? So, instead of running behind a lot of different, can we have 10-15 customers who are giving us continuous let's say INR 3 crores, INR 5 crores, INR 10 crores and so on.

**Soumil:** Understood. Okay. Thank you so much.

**Sunil Kulkarni:** I think...

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to Mr. Sunil Kulkarni for the closing comments.

**Sunil Kulkarni:** Yes. So, thanks a lot. Once again, good wishes for Akshaya Tritiya. And really appreciate you taking your time. For who have already invested in us, we really appreciate you supporting us. For people who are watching us, please do continue to watch us. Our journey has just started, 3 years. Prior to that, we have 15 plus years of experience of running our business. We are doing something different, which is working with Japan and so on. Feel free to, if you visit Pune, visit us. Guide us or advise us whenever you want. We'll continue our journey and keep you updated. Yes.

Thanks a lot. Really appreciate it.

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