



“Fidel Softech Limited
Q2 & H1 FY2024-25 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day and welcome to Fidel Softech Limited Q2 and H1 FY'2024-25 Earnings Conference Call. 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 this 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. Thank you and over to you sir.

Sunil Kulkarni: Thanks a lot. Welcome to the Q2 and H1 Investor Call for Fidel Softech Limited for Fiscal Year 24-25. My name is Sunil Kulkarni, and I am the CEO of Fidel Softech Limited. Welcome everyone. I am pleased to present the Q2 report for Fidel Softech Limited. For those who are new to our firm, Fidel is an IT technology services and solutions firm. We assist clients in going global or local by delivering technology driven solutions or services with last-mile delivery in local languages.

Since local language services together with the technology part is our niche, hence we have branded ourselves as LangTech Consulting Services. Our services include IT and consulting services, language localization and engineering services. This year onwards, we have also started offering Japan-India consulting services, reflecting the growing interest between these two countries and leveraging our experience. This quarter our top-line revenues were INR13.82 crores with a PBT of INR3.9 crores, marking a 44% growth in year-on-year revenues and 40% revenue growth over H1 of FY23-24. From a quarter-on-quarter perspective, we did 10% sequential growth.

This quarter, we also crossed a monthly revenue target of INR5 crores. From an H1 perspective, we did INR26.28 crores a 40% growth over last year's H1. While revenues are growing, we continue to focus on bettering our PAT as well. This quarter, the PAT could have been further better, but we see a slight impact due to salary appraisals which we have shifted to July Q2 from this year. This way we get to stabilize our Q1 while absorbing any cost hike impact in Q2 which is traditionally stronger and better for us. Typically, if you look at our business, 90% of our business is exports and 10% is domestic.

While 45% of our revenue comes from APAC. Here India is also included in this. U.S and Europe contributes to approximately 55%. In this total around 30% of business comes from Japan. IT and consulting services is around 30% this quarter and language engineering and localization services is 70%. This ratio sometimes is 60-40, 70-30 and so on.

We are focused on growth, and we have seen continuous sequential growth for now 10 consecutive quarters. We see an improvement in EPS, and we endeavour to take it to double-digit numbers in the coming few quarters. This growth is sustainable, allowing us to stabilize process, focus on key hiring and refine our operations.

Our active strategic clients are around 25-plus clients. Our top 10-plus clients add to 80% of the revenues. This quarter, we also registered our office in U.S, Texas and we plan to set up a basic

team to support and grow our U.S. operations. Our Hyderabad operations which we started this year continue to be stable. Likewise, we are also looking at tapping similar opportunities.

We continue to invest in digital marketing initiatives as well as our sales engine. From a cash flow perspective, we are seeing a steady cash flow generation with zero debt and positive cash flow. This gives an edge to further invest in any inorganic growth opportunities. We see a positive outlook for H2 and continue to plan for sequential 10% growth and look at tapping new opportunities.

Thank you for continued support and belief in us. We will continue to focus on strategies outlined by us for driving accelerated growth of the company. We will keep balancing the investment required to drive this growth versus profitability with a clear focus on positive cash flow. Thanks a lot. We look forward for any questions.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Divya Daga from Vijit Global Securities. Please go ahead.

Divya Daga: Hello, sir. First of all, congratulations for such a great of number. I have a couple of questions. My first question is can you provide me the total number of employees that we have at present. As we have already added 35 in Q2 and 54 in Q1. What is the net addition we had and what is the total count?

Sunil Kulkarni: The total count comes to around 297. This includes, of course, employees, retainers, or consultants together.

Divya Daga: Okay. My second question is can you provide me some details on acquisition in which vertical we are planning? How much cost we want to incur on that?

Management: So, Divya, let me answer you on this inorganic opportunities. See, I think we will continue to focus on LangTech engineering as the core area for us. And if we are able to see some good opportunities coming our way in the US geography particularly, we would like to sort of explore. Objectives will be twofold. One is we should be able to get a good team of consultants through such acquisitions and access to the enterprise accounts through such acquisitions. And naturally, we would certainly look at the cost benefit analysis of such opportunities. And based on that, we will take the appropriate decisions, but what we have built over the period is the cash reserves and now we would certainly explore such opportunities coming our way.

Divya Daga: So, do you have any number how much maximum we are going to invest on capex sorry on acquisition?

Management: No, naturally, the size of such companies would be from our perspective. It has to be a very manageable size. So naturally, we would look at companies who are having current revenue streams of say USD1.5 million to USD2.5 million, USD3 million revenues. So within that range, we would like to look at what are the options available to us.

- Divya Daga:** Okay, thank you, sir. I have two more questions related to cloud services and smart meter. First one is that we have already done a partnership with E2E for cloud services and AI. Can you elaborate about what are the other plans with E2E or in cloud segment? And my second one is can you provide me the outlook you are seeing from MOU you have signed for smart meter?
- Sunil Kulkarni:** Thanks a lot. This is Sunil again. So, we provide application hosting on managed services to our clients, domestic as well as global. Currently so far, we used to have AWS or Azure or Google as cloud. When we are now approaching local domestic clients or banks, etc because of our language services, we see that there is a requirement for local geography-based hosting, as in like people want to keep their data in India. And from that perspective we started looking at local data centers or local cloud service providers.
- That said, we are now taking the service to our Japan or overseas clients as well. So, for E2E, our partnership has just started, and we have started taking it to our customers. For IM Corporation, this year we did a small pilot for them. They are revamping for one of their clients, entire smart meters, current application to cloud. This is kind of a legacy application modernization opportunity.
- The pilot went well and hence we are looking at this project starting from January onwards. It's kind of a 15 month to 20-month engagement. We hope to capitalize on that and then take it further. But as of today, the MOU is around that, that will be helping legacy application modernization over cloud.
- Divya Daga:** So, sir, how big do we see this opportunity just last question?
- Sunil Kulkarni:** How?
- Divya Daga:** How big do we see this opportunity of smart meters because I guess this is the first one, we are having?
- Sunil Kulkarni:** So just to clarify, this is not that we are developing our own product or anything. This is like, as I mentioned a legacy application which we are taking into cloud. We had uploaded the MOU on the NSE exchange. At least the size-wise, it comes to around 75 million yen around half a million dollars. If you take 150 yen equal to 1 dollar, that comes to around half a million dollars, but we hope that once it is deployed, there could be continuous ongoing support or these kind of other opportunities might come up.
- Divya Daga:** Okay. Thank you so much sir.
- Moderator:** Thank you. Next question is from the line of Rahul from Vista Wealth. Please go ahead.
- Rahul:** Sir, you have earlier alluded to and even in your press conference that you have an internal target of like growing your revenues 10% every quarter. Now, I will be very honest. I do not understand your business model or the sub-segments that you operate in. So, I just wanted to understand like is this like the growth, confidence for you to grow that is related primarily due to you being

a very small company in such a segment, are you seeing a really big opportunity out there? And what are the factors for giving you this kind of confidence to grow in this? That is what my question is?

Management: If I understand your question correctly, are you saying this quarter and quarter 10% growth, how far you are confident about this growth? Is that your question is?

Rahul: Oh, sorry. My question was, sir, what gives you the confidence for such a growth? Is it industry-driven or is it more of a company-specific thing?

Sunil Kulkarni: Got it. From our perspective, when we went public in 2022, we had coined ourselves a plan of achieving 5x in 5 years kind of plan in which in the initial years in the first 2 years we said immediately we cannot jump on to 35% to 40% growth. First 2 years, we had charted ourselves 20% to 30% conservative growth which we grew at 27% or 20% last 2 years. And this year onwards, because we had some now foundation-led for, let's say, digital marketing or a sales engine kind of sales, internal sales team and so on.

We said that this year onwards, we'll go for 30% to 40% growth. And these are things, the efforts that we are taking from last, let's say, 8 quarters to 10 quarters. Slowly, we are seeing some fructification about that. It's not that we are guaranteed 20% or 10%. This is the kind of objective we have given to ourselves. And based on that, we are trying to go further. The market itself, if you take language localization itself globally there are companies who are doing, say a billion dollars of language engineering services or USD500 million, but in India there are not that many companies.

There are either just plain vanilla translation agencies or then of course there are IT services firms and then we ourselves are basically a technology firm with this language as a differentiating factor. So, we believe somebody trying to put together a USD50 to USD100 million company out of India with this is possible.

We ourselves are bullish about that, but the market is there. It's not that - and in India also we see a lot of opportunities coming. Recently, also, we saw that a Bombay-based firm which is also a listed entity, they have that product and they're trying to take it global. So, we help them with 11 languages. It was, again, a one-time project, but we saw that even Indian companies are now taking their products globally.

In the past, we have also worked with e-commerce companies in India like Flipkart, BigBasket, where they are trying to go local with their offerings and so on. So, there is a market out there. We believe that 8% to 10% per on a sequential quarter is possible provided, of course, we have to work on our sales.

Moderator: Sir, can you hear us? Sunil sir, are you audible?

Rahul: We lost the management.

- Moderator:** Yes, please stay connected. Ladies and gentlemen, please stay connected. So, Sunil sir, are you able to hear us?
- Sunil Kulkarni:** Yes, we are able to hear.
- Moderator:** Sir, we can hear you now. Kindly proceed. Rahul, would you like to guide?
- Rahul:** Sir we are adjusting our connection because towards the end I think the audience couldn't hear you.
- Sunil Kulkarni:** Okay, sorry. My apologies.
- Rahul:** You are talking about Bombay.
- Sunil Kulkarni:** Yes, so there was a – we recently work with closely with the Bombay based product company which wanted to take their product globally in 11 languages. So, we helped them with language localization and so on. So, we are recently seeing Indian product companies like software product companies are also trying to take global. And we in the past, we have also worked with companies such as Flipkart, BigBasket, where they wanted to take their platforms local, where we offered Indian languages and so on.
- So, we see there is a market out there and 8% to 10% of sequential growth should be possible, provided, of course, we work continuously on fine-tuning our sales, our lead gen or digital marketing strategy.
- Rahul:** Okay, sir. So, I have a follow-up question to that. So, let's say, sir, if I'm a potential customer and I want to hire you guys what exactly would I be looking for like what does the client actually look for when he finds something like yours?
- Sunil Kulkarni:** Correct. So, let's say, typically, if you want to build an e-commerce platform or you want to build a dealer management system or any IT service you are looking at or setting up some cloud services for yourself. So, today, you would go to any IT service provider say, TCS, Persistent, or anyone, but the moment you say, I want to build a dealer management system for selling my tractors, but I need reports or screens in Punjabi and Tamil, then suddenly, Persistent might say, boss, we have a partner called Fidel.
- Why don't you talk to them or the moment like we work with, you are trying to build up a chatbot for supporting your insurance firms and you want to make that chatbot understand Telugu or Hindi. It has to be trained in local languages and for which we need to build multilingual data sets. Again, you can go to bigger firms, but then they will guide us again that data collection, data cleaning, data modelling for these local languages, they'll guide you to us, for example.
- So, if there is a generic IT services, of course, there are a lot of players out there. And, of course, we try to get such projects as well, but our specialization is that wherever people or companies want to go either local or global, there is a language or some kind of a culture or requirement for the last mile delivery, that is the UI or UX, there we come into picture or people think about us.

Rahul: And so, in terms of opportunity, what excites you guys the most? Is it the opportunity within our own country or would it be like expanding into new territories?

Sunil Kulkarni: Today, I think what excites us is, can we build a scalable company out of India as of today. Language and technology, we are doing that for the last 10 plus years, we understand the business, we understand the domain. But prior to going public, we were like moving in a pond kind of thing, we were just happy with whatever we were doing. Now, after going public, we are seeing, can we build a USD25, USD50, USD100 million company from out of India, targeting these global clients.

Today our 60% to 70% of our business comes from system integrator kind of firms. Even in language engineering, there are such firms, what we call as language service providers are global. And 30% or 35% are end user firms which is we are directly working with the SAP or Amazon or one of the bank companies and so on. So our objective is can we increase that by and directly go to end users, Toyota, or Nissan and these companies. So, there is an opportunity out there, and if we can build.

So, and in India as well, there is a growing impetus on how we can bring in Tier 3, Tier 4 rural consumers into the mainstream. Today, they have that money, they are wise enough to choose whatever they want, it's just that they never had that opportunity to select. Because earlier, everything was Tier 1, Tier 2 city-driven in English. So there we see also a lot of banks, a lot of e-commerce companies taking that pain, going the last mile. And where again if we can chip in, it's a good opportunity out there. Yes, so this excites us.

Lastly, because of this today at a given point of time, we are always working with 200 to 300 individual consultants or freelancers like somebody in Assam, for example, or somebody in say Telangana. And these could be like individuals, or they have set up a small company out there. So, in a way we are creating opportunities in remote areas of people in India, leveraging their languages.

So earlier I'm an engineer and there was no economic value to the language they learned or their mother tongue. We are saying, highlight that. If you know today like the Assamese or the Telugu and you know Java, then you have a lot of value for us because we have the simple Java, and the simple Telugu. But Telugu and Java is a lethal combination for us. When we are working for a handset maker who want to localize their handsets in India for 8 Indian languages, we need this kind of combination. So, we need a little bit of testing and Telugu. So, we think that there is an opportunity out there, and we are doing good work at it.

Rahul: So, lastly, I have just one request from you. I will, after this concall is over, do a bit more research on your company. And if you allow me, I would like to email you a few more questions. And hopefully, if you have the time, you could probably indulge me and answer those questions, if that's alright?

Management: No, you are most welcome. And in fact, you do write to us, and we will have a separate call done or we will respond to you which will be, of course, information available for all.

- Rahul:** Yes. Thank you so much.
- Moderator:** Thank you. Next question is from the line of Ankur Gulati from Aditya Birla Capital. Please go ahead.
- Ankur Gulati:** Hi. Can you give us more detail about the MOU you were referring to at the start of the call?
- Sunil Kulkarni:** Okay. So, this company is called IM Corporation Japan. They are a mid-sized company, around say 15 million, 20 million USD firm. They are, again, a system-integrated firm. We did a pilot. So, we know them, we have worked in past with them, but this year, we did a small pilot. The opportunity is that there is a system for smart meter billing, smart meter management, and so on. This is a legacy application developed in past years, being managed.
- Now, there's an opportunity to modernize this, take it to cloud, revamp, migrate it and build new functions or features around that. I am in Japan. I am in Japan, as you know there are demographics. there are less engineers. We did a small pilot this year. We bring in the engineering expertise, as well as we have in-house Japanese language capabilities as well. So, together with that, we did a pilot. It went well.
- Based on that, now we'll start working with them from January onwards. And the phase is still March 2026. So, it's almost a 15-month, 12- to 15-month engagement. We'll be engaged in detailed design, development, testing, and so on. We hope that post-launch or post-migration, we also get involved in some kind of support, maintenance and so on. But as of today, it's like an engagement where we'll be participating with them on this migration or legacy application modernization project.
- Ankur Gulati:** You said this was a smart meter made by IM, right?
- Sunil Kulkarni:** The smart meter application was originally developed by IM and their client.
- Ankur Gulati:** And we are rewriting the entire software or just updating the software behind the smart meter?
- Sunil Kulkarni:** Yes. Part of it, part of the programs are to be migrated as it is and partialization 50% would be completely revamped into Java and migrated on AWS Cloud.
- Ankur Gulati:** What I'm trying to understand is what made us get the contract. Is it a landscape or is it a software skill set or is it something we have developed within the smart meter space?
- Sunil Kulkarni:** One is of course to be honest; I think one is the long-term relation that we have developed with IM over the years. We know them in person. It's not easy to overnight any specialty that you have. So, I think that is one of the things that we trust. Two is, I think, technology as well as the Japanese capabilities. So, today they have an opportunity to go to bigger firms as well, but then Japanese come into play because most of the specs are written in Japanese. Comments in the source code would be in Japanese language. And then we bring that capability.

And third is, of course, the speed as a mid-size firm, the communication, and the cultural aspects that we bring on the table when we work with Japanese companies. But again, both the Java or the technology and the language part here is important.

Ankur Gulati: Got it. You also mentioned that there are a lot of larger IT companies who are coming to you to subcontract regional languages. Is this still only in India or let's say Persistent is also pitching to other European clients or something else? Are you getting those offshore accounts as well?

Sunil Kulkarni: So, when somebody like Persistent, they also have a global client who has an operation in Japan. And because they were working for that client in the US, they have to support Japan's geography as well. But to support Japan's geography, you need bilingual like Japanese and English, L1 and L2 support staff. And such a requirement comes to us, and we put together a 3-5 people team for them and so on. So, for another system integrator likewise there was a requirement where we helped with Spanish and Java. L1 and L2 support, but they needed support to Latin America.

So, of course, we also don't want to get labelled as just purely language. We want to highlight that as a specialization and how can we scale up for other parts. But then when you go to pure vanilla Java support or pure vanilla any technology, there are a lot of players, SMEs and they can do much better than us perhaps in terms of pricing or whatever, but we are trying to. These kind of requirements as Indian companies are going global, going for bigger deals globally, they also have to support in 18 languages or 6 languages and there we are trying to approach them.

Ankur Gulati: At least in India, when you are dealing with the e-commerce or any customer facing client, how many languages have you guys been able to tap within India? Is it 10, 15 or more?

Sunil Kulkarni: In India, typically, there are requirements for around 14 Indian languages. Primarily, if let's say banks or anybody wants to do, they start with Rastrabhasha or if Flipkart will start with three languages like Hindi, Tamil and Marathi or something like that, they will expand to 3 or 4 more. But we have seen typically 10 to 14 languages. If it is a RSP like a government related or something, we see 22 languages. But from a capability perspective, we can support all these languages.

Ankur Gulati: And to understand the technology, in a layman's term, what you are doing is you are converting English to whatever the original language is, right?

Sunil Kulkarni: There are two aspects here. One is actual language conversion which is the translation part. So for Hindi or for Japanese we have our own engine, but we are not trying to highlight or sell that engine as in because we are not competing here with Google, or we are not competing with Bhashini. We are plain vanilla service providers. We give an option sometimes customers will say, I want you to use this Fujitsu language engine for Japanese, for example. Or use Bhashini for this thing. So we will just use those APIs and give them. What we specialize in, let's say with Flipkart, etc. They have a server on cloud. We built a server on cloud.

Whenever they want to push or they want to localize a certain product in a certain language, they'll pass that through API to us. It will fall in our bucket, we will get it translated either

through our engine or any engine, and then deliver it back. Now here, the ability to host our server on AWS, for example, or connect to them with APIs, and then bring the language aspect as well is something that they see as a package, where this company knows the technology part as well and they can bring the language part.

Sometimes, from a customer perspective, they will ask us not to use any MT, as in machine translation, but to have actual linguists with that particular skill set, in telecom background or Fintech background, and so on. So we can work with pre-vetted linguists who are working in certain domains.

Ankur Gulati: So you have to hire resources in specific languages, correct?

Sunil Kulkarni: Yes. Some we hire for Japanese or for key Indian languages. We try to have a few in-house as well because these are requirements that come first. We get mails in Japanese itself, or we'll get something and so on. But for specific languages where we don't see regular work, then we don't need to hire them, but we keep them tested, prevet them, and keep them in our database, so that we can reach out to them anytime.

Ankur Gulati: If I look at your revenues in the last 3 years, I mean, they've grown at a pretty good rate, but surprisingly the margins especially from March 22, your EBITDA was close to 23.4. The revenue has gone from 26 to 47 in the last 12 months, but there's no operating leverage visible, which is a bit unlike other tech firms where operating leverage starts coming in. So any color on that part?

Sunil Kulkarni: There are two aspects here. One is, of course, we continue to see where we can optimize our processes, our tools and so on. One is post-pandemic what we are also seeing is, if a certain person is available or a certain skill set is available, we are trying to hire them and then later we'll carve out a position, let's say, pre-sales, for example, or something. Earlier, we would hire only prior to going public or if we have a budget and we have a position, then only we'll hire, or something like that. But in the last 2 years, especially, we are trying to go more in terms of hiring. Certain roles, we think that this will help us go upstream.

As in earlier, we would take projects downstream, only coding or only testing or linguistic testing. But now we are trying to approach product companies where we are trying to tell them, can we show you how can you go global, for example? And what is the roadmap for taking your product to internationalize or internationalize your product? So in our field, we call it as internationalization or localization, how we can help you. Now to do that, we need someone strong who has that consulting angle or consulting background. And then that comes with some certain price, A.

B is last 2 years; we are also trying to participate in various events. Of course, we try to see the ROI of that event and so on. But we participate so that at least many times, even in Pune, we are seeing, so sometimes we get a project from some company in Delhi. And then when we ask some questions, they say that that customer is in Pune, you can talk to him directly. And then

we are surprised that the company in Pune doesn't even know that we are in Pune. And then, so last 2 years, what we are trying to do is, we can participate in events and so on.

So because of all this, we are a bit open about like internally we have said, we are saying that 40% top line, 20% EBIT without foregoing any quality of revenues, quality of profits, etc. We'll try to focus on that. At the same time, we are not shying away from doing all this, that is hiring the right people if we see them or participate and because of that, we see some impact on the PAT.

Management:

Yes. And just to add to what Sunil is trying to explain to you, see we are at a stage where we need to drive the accelerated growth, particularly in the top line. And if we have to do that, we have to create an adequate base of our customers across the geographies. We will have to create the right quality of offerings for our existing customers, as well as the new named accounts which we are trying to target. And those are the kinds of investments which we are doing over the years.

So we thought that if we are able to maintain the PBIT at a level of 20% plus, and then we are able to drive the growth which is a little accelerated, I think it will be good because it will also result into positive cash flows. So it will help us to do further investments. And we need to also have some key roles within the organization, which actually will help us to get into a slightly different orbit. We need that kind of consulting element as a part of our leadership team. So we are also looking at those options.

Ankur Gulati:

Yes, but listen, I mean, I guess when you guys went public in 2022, if I'm not wrong and that time, the regional language support, e-commerce was a bit on drawing board. And I must congratulate for you guys to implement that. We have achieved one of those milestones, at least we have opened the market. So from our next 3 years strategy, what is the new, either a customer base or a product line or service line that you guys are working on, other than let's say normal, regular regional language support and Japanese?

Management:

Yes, absolutely right. I think we are trying to build the right quality of customer base. We are trying to build the kind of LangTech engineering offerings, which we would like those are the key differentiators for us. So we are putting in a lot of energy and efforts into that. And the third thing is we are also looking at the geography footprint. So we are set up now US subsidiary. Again, you can go to bigger firms, but then they will guide us again, that data collection, data cleaning, data modelling for these local languages, they'll guide you to us, for example.

So, if there is a generic IT services, of course, there are a lot of players out there. And, of course, we try to get such projects as well, but our specialization is that wherever people or companies want to go either local or global, there is a language or some kind of a culture or requirement for the last mile delivery, that is the UI or UX, there we come into picture or people think about us.

Ankur Gulati:

And so, in terms of opportunity, what excites you guys the most? Is it the opportunity within our own country or would it be like expanding into new territories?

Sunil Kulkarni:

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Today our 60% to 70% of our business comes from system integrator kind of firms. Even in language engineering, there are such firms, what we call as language service providers are global. And 30% or 35% are end user firms which is we are directly working with the SAP or Amazon or one of the bank companies and so on. So our objective is can we increase that by and directly go to end users, Toyota, or Nissan and these companies. So, there is an opportunity out there, and if we can build.

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Management:

No, you are most welcome. And in fact, you do write to us, and we will have a separate call done or we will respond to you which will be, of course, information available for all.

Ankur Gulati:

Yes. Thank you so much.

- Moderator:** Thank you. Next question is from the line of Ankur Gulati from Aditya Birla Capital. Please go ahead.
- Ankur Gulati:** Hi. Can you give us more detail about the MOU you were referring to at the start of the call?
- Sunil Kulkarni:** Okay. So, this company is called IM Corporation Japan. They are a mid-sized company, around say 15 million, 20 million USD firm. They are, again, a system-integrated firm. We did a pilot. So, we know them, we have worked in past with them, but this year, we did a small pilot. The opportunity is that there is a system for smart meter billing, smart meter management, and so on. This is a legacy application developed in past years, being managed.
- Now, there's an opportunity to modernize this, take it to cloud, revamp, migrate it and build new functions or features around that. I am in Japan. I am in Japan, as you know there are demographics. there are less engineers. We did a small pilot this year. We bring in the engineering expertise, as well as we have in-house Japanese language capabilities as well. So, together with that, we did a pilot. It went well.
- Based on that, now we'll start working with them from January onwards. And the phase is still March 2026. So, it's almost a 15-month, 12- to 15-month engagement. We'll be engaged in detailed design, development, testing, and so on. We hope that post-launch or post-migration, we also get involved in some kind of support, maintenance and so on. But as of today, it's like an engagement where we'll be participating with them on this migration or legacy application modernization project.
- Ankur Gulati:** You said this was a smart meter made by IM, right?
- Sunil Kulkarni:** The smart meter application was originally developed by IM and their client.
- Ankur Gulati:** And we are rewriting the entire software or just updating the software behind the smart meter?
- Sunil Kulkarni:** Yes. Part of it, part of the programs are to be migrated as it is and partialization 50% would be completely revamped into Java and migrated on AWS Cloud.
- Ankur Gulati:** What I'm trying to understand is what made us get the contract. Is it a landscape or is it a software skill set or is it something we have developed within the smart meter space?
- Sunil Kulkarni:** One is of course to be honest; I think one is the long-term relation that we have developed with IM over the years. We know them in person. It's not easy to overnight any specialty that you have. So, I think that is one of the things that we trust. Two is, I think, technology as well as the Japanese capabilities. So, today they have an opportunity to go to bigger firms as well, but then Japanese come into play because most of the specs are written in Japanese. Comments in the source code would be in Japanese language. And then we bring that capability.
- And third is, of course, the speed as a mid-size firm, the communication, and the cultural aspects that we bring on the table when we work with Japanese companies. But again, both the Java or the technology and the language part here is important.

- Ankur Gulati:** Got it. You also mentioned that there are a lot of larger IT companies who are coming to you to subcontract regional languages. Is this still only in India or let's say Persistent is also pitching to other European clients or something else? Are you getting those offshore accounts as well?
- Sunil Kulkarni:** So, when somebody like Persistent, they also have a global client who has an operation in Japan. And because they were working for that client in the US, they have to support Japan's geography as well. But to support Japan's geography, you need bilingual like Japanese and English, L1 and L2 support staff. And such a requirement comes to us, and we put together a 3-5 people team for them and so on. So, for another system integrator likewise there was a requirement where we helped with Spanish and Java. L1 and L2 support, but they needed support to Latin America.
- So, of course, we also don't want to get labelled as just purely language. We want to highlight that as a specialization and how can we scale up for other parts. But then when you go to pure vanilla Java support or pure vanilla any technology, there are a lot of players, SMEs and they can do much better than us perhaps in terms of pricing or whatever, but we are trying to. These kind of requirements as Indian companies are going global, going for bigger deals globally, they also have to support in 18 languages or 6 languages and there we are trying to approach them.
- Ankur Gulati:** At least in India, when you are dealing with the e-commerce or any customer facing client, how many languages have you guys been able to tap within India? Is it 10, 15 or more?
- Sunil Kulkarni:** In India, typically, there are requirements for around 14 Indian languages. Primarily, if let's say banks or anybody wants to do, they start with Rastrabhasha or if Flipkart will start with three languages like Hindi, Tamil and Marathi or something like that, they will expand to 3 or 4 more. But we have seen typically 10 to 14 languages. If it is a RSP like a government related or something, we see 22 languages. But from a capability perspective, we can support all these languages.
- Ankur Gulati:** And to understand the technology, in a layman's term, what you are doing is you are converting English to whatever the original language is, right?
- Sunil Kulkarni:** There are two aspects here. One is actual language conversion which is the translation part. So for Hindi or for Japanese we have our own engine, but we are not trying to highlight or sell that engine as in because we are not competing here with Google, or we are not competing with Bhashini. We are plain vanilla service providers. We give an option sometimes customers will say, I want you to use this Fujitsu language engine for Japanese, for example. Or use Bhashini for this thing. So we will just use those APIs and give them. What we specialize in, let's say with Flipkart, etc. They have a server on cloud. We built a server on cloud.
- Whenever they want to push or they want to localize a certain product in a certain language, they'll pass that through API to us. It will fall in our bucket, we will get it translated either through our engine or any engine, and then deliver it back. Now here, the ability to host our server on AWS, for example, or connect to them with APIs, and then bring the language aspect as well is something that they see as a package, where this company knows the technology part as well and they can bring the language part.

Sometimes, from a customer perspective, they will ask us not to use any MT, as in machine translation, but to have actual linguists with that particular skill set, in telecom background or Fintech background, and so on. So we can work with pre-vetted linguists who are working in certain domains.

Ankur Gulati: So you have to hire resources in specific languages, correct?

Sunil Kulkarni: Yes. Some we hire for Japanese or for key Indian languages. We try to have a few in-house as well because these are requirements that come first. We get mails in Japanese itself, or we'll get something and so on. But for specific languages where we don't see regular work, then we don't need to hire them, but we keep them tested, prevet them, and keep them in our database, so that we can reach out to them anytime.

Ankur Gulati: If I look at your revenues in the last 3 years, I mean, they've grown at a pretty good rate, but surprisingly the margins especially from March 22, your EBITDA was close to 23.4. The revenue has gone from 26 to 47 in the last 12 months, but there's no operating leverage visible, which is a bit unlike other tech firms where operating leverage starts coming in. So any color on that part?

Sunil Kulkarni: There are two aspects here. One is, of course, we continue to see where we can optimize our processes, our tools and so on. One is post-pandemic what we are also seeing is, if a certain person is available or a certain skill set is available, we are trying to hire them and then later we'll carve out a position, let's say, pre-sales, for example, or something. Earlier, we would hire only prior to going public or if we have a budget and we have a position, then only we'll hire, or something like that. But in the last 2 years, especially, we are trying to go more in terms of hiring. Certain roles, we think that this will help us go upstream.

As in earlier, we would take projects downstream, only coding or only testing or linguistic testing. But now we are trying to approach product companies where we are trying to tell them, can we show you how can you go global, for example? And what is the roadmap for taking your product to internationalize or internationalize your product? So in our field, we call it as internationalization or localization, how we can help you. Now to do that, we need someone strong who has that consulting angle or consulting background. And then that comes with some certain price, A.

B is last 2 years; we are also trying to participate in various events. Of course, we try to see the ROI of that event and so on. But we participate so that at least many times, even in Pune, we are seeing, so sometimes we get a project from some company in Delhi. And then when we ask some questions, they say that that customer is in Pune, you can talk to him directly. And then we are surprised that the company in Pune doesn't even know that we are in Pune. And then, so last 2 years, what we are trying to do is, we can participate in events and so on.

So because of all this, we are a bit open about like internally we have said, we are saying that 40% top line, 20% EBIT without foregoing any quality of revenues, quality of profits, etc. We'll try to focus on that. At the same time, we are not shying away from doing all this, that is hiring

the right people if we see them or participate and because of that, we see some impact on the PAT.

Management:

Yes. And just to add to what Sunil is trying to explain to you, see we are at a stage where we need to drive the accelerated growth, particularly in the top line. And if we have to do that, we have to create an adequate base of our customers across the geographies. We will have to create the right quality of offerings for our existing customers, as well as the new named accounts which we are trying to target. And those are the kinds of investments which we are doing over the years.

So we thought that if we are able to maintain the PBIT at a level of 20% plus, and then we are able to drive the growth which is a little accelerated, I think it will be good because it will also result into positive cash flows. So it will help us to do further investments. And we need to also have some key roles within the organization, which actually will help us to get into a slightly different orbit. We need that kind of consulting element as a part of our leadership team. So we are also looking at those options.

Ankur Gulati:

Yes, but listen, I mean, I guess when you guys went public in 2022, if I'm not wrong and that time, the regional language support, e-commerce was a bit on drawing board. And I must congratulate for you guys to implement that. We have achieved one of those milestones, at least we have opened the market. So from our next 3 years strategy, what is the new, either a customer base or a product line or service line that you guys are working on, other than let's say normal, regular regional language support and Japanese?

Management:

Yes, absolutely right. I think we are trying to build the right quality of customer base. We are trying to build the kind of LangTech engineering offerings, which we would like those are the key differentiators for us. So we are putting in a lot of energy and efforts into that. And the third thing is we are also looking at the geography footprint. So we are set up now US subsidiary. So in my view, we will be able to do something. See, we have also said that we are looking at some inorganic opportunities. Correct.

So now we are also looking at how do we look at those opportunities, evaluate. Naturally, we will be very conservative in terms of what do we want to achieve? What are the two or three important objectives we want to achieve and what is the investment we would like to make? So all those parameters will be important, including payback, but then we are also looking at those opportunities.

Ankur Gulati:

In what percentage is the whole e-commerce or customer facing localization in India of total revenue?

Sunil Kulkarni:

What percentage?

Ankur Gulati:

Yes, I mean, H1 revenue is roughly INR26 crores. So how much is coming from customer facing clients in India?

- Sunil Kulkarni:** So roughly 90% of it is overseas and 10% is roughly domestic, as in India from India, within India.
- Ankur Gulati:** So the Amazons or the e-commerce or the NBFCs are only less than INR3 crores?
- Sunil Kulkarni:** So this Amazon, I just gave the example was of Amazon US, not the Amazon India. So locally we work again with different software companies or local agencies, e-commerce or other, but that is still less compared to the global work that we do.
- Ankur Gulati:** And do you plan to tap into the domestic market, or do you still want to continue focusing more on US or other overseas markets?
- Management:** I think our best bet would be to look at the local companies who have global footprints. So the language support would be needed by the companies who are operating globally. So naturally, that's going to be the focus.
- Ankur Gulati:** And if you don't mind, can you double click on what service did you actually did for Amazon US? Which language support did you get? Was it Japanese or some other language?
- Sunil Kulkarni:** No. So we work with them for language support services for Indian language.
- Mandar Inamdar:** If you talk about this particular case of Amazon in the US, the application was an AI ML kind of an application where Amazon invests a lot in training their Alexa engine so that the engine would understand different languages across the globe. And we were able to contribute to building multilingual datasets covering almost 11 Asian languages, four of them being Indian languages. And these datasets would be like 500 hours of a dataset for a particular language.
- So 500 hours, 700 hours, 1000 hours which is Alexa is a speech engine. The multilingual datasets are also speech plus annotated, transcribed, and annotated datasets created in a way where the data scientists who would work on such engine would be able to use that data to further train their engine and refine the output of those engines. So that is the kind of project that we delivered for Amazon.
- Ankur Gulati:** So once you have given the dataset and then the machine learning or AI, whatever you want to call it, can make it self-intelligent. So your role ends after whatever it means once the dataset is born?
- Sunil Kulkarni:** Our role ends after we deliver the datasets to them. Yes.
- Ankur Gulati:** So two follow-up questions. One, while you're providing datasets, are you also automating these things internally so incremental manpower cost goes down?
- Sunil Kulkarni:** So just to understand the question, you are saying are you doing something to ensure that incremental costs, human costs, go down?

- Ankur Gulati:** Correct. Let's say you have cracked Japanese, of course, has been your forte. Second lecture again, hypothetically, you have trained Alexa on Spanish and Mexican. So if tomorrow another client comes to you, will you have to spend the same amount of manpower?
- Sunil Kulkarni:** Got it. So there are two aspects. One is whenever we are creating certain specific datasets for a customer, they own that IP, or they own that and then we deliver that data for them. So that's it. As I mentioned earlier, for Hindi, for Japanese over the years, we have built our own database or datasets, or we have trained engine. So if today if somebody gives us Japanese to English or English to Japanese related work, we are able to optimize or get more margin out of that because we have already built up on this thing.
- But at the same time, for other languages, etc., if it is a customer specific or this thing, most of the customers tend to own that. We bring in our expertise. In that also, over the period, of course, we have optimized, built our own internal tools for quality testing. Earlier, it would be, let's say, 100% manual. Now, it is semi-automatic, or we use tools whereby we are able to get better efficiency and so on. So, yes, there are ways where we are trying to optimize, and we get slight marginal output better than what we did earlier.
- Ankur Gulati:** Are there any non-peers in India which you are aware of who have similar level of code?
- Management:** Your voice is a little - you are saying, are there any similar...
- Ankur Gulati:** Any peers or any competitors you are aware of?
- Sunil Kulkarni:** Yes. So, in India, as I said, there are companies like, let's say, CRISIL use Brahma or let's say, they are vanilla translation agencies. There are companies like Reverie, and they are acquired by Jio, of course, but they are mostly on developing fonts, keyboards, device drivers and so on. This kind of services and working with enterprise firms bringing language and technology, we have not seen many, many, many companies.
- Globally, there are companies like Lionbridge, TransPerfect and so on, but they are mostly based in US, and they have some centers here, but these are cost centers like Lionbridge has a center in Mumbai but works only for US. They are not selling anywhere here basically.
- Ankur Gulati:** Thanks a lot. I will fall back in queue.
- Sunil Kulkarni:** Thanks a lot. Really appreciate it. Thank you.
- Moderator:** Thank you. Next question is from the line of Rohit Reddy, Individual Investor. Please go ahead.
- Rohit Reddy:** My question is related to how exactly do we provide our translation services like is it through API or some models? Can you brief on it?
- Sunil Kulkarni:** Okay. Yes. As I said, customers typically will come more if they just want translation services, they might go to an individual translation agency or translation. If there is a technology or some kind of a solution or combination, then they try to tend to come to us. There we have multiple

options. Sometimes the customer guides us that they want us to use say Google API or Bhashini API or Fujitsu API for translation. Sometimes if they it's Japanese or Hindi and there's no such option given, we tend to use our own engine to translate that, but if it's, say, Spanish or say Korean or Hawaiian, then we work with pre-vetted localization or translation experts in these countries on project-to-project basis.

Rohit Reddy: Thank you. So the reason I'm asking is in our organization, we use Locize API. It's one of the global translators where we provide services through API and all. For our website, what we do is we just call their translations, we just pass the keywords and get whichever language you wanted. So like what kind of...

Sunil Kulkarni: Which API you mentioned Rohit?

Rohit Reddy: Locize API. Have you heard about Locize?

Sunil Kulkarni: Locize how do I spell?

Rohit Reddy: German based Locize.

Sunil Kulkarni: Okay, I'll check out. But as I mentioned, yes, so there are various such agencies who provide these kind of APIs or things, what we call MT, machine translation. So many times these days we use that, sometimes the customer engages to vet those contents because not maybe there could be an 80% accuracy sometimes and there we end up with linguistic testing and so on, but yes, there are different such API providers.

Rohit Reddy: And another question is with respect to our collaboration with E2E, right? So what exactly are we using their cloud services or like are we helping them in any part of this workflow or something?

Sunil Kulkarni: Correct. Currently, we are taking - we are acting like there as partners or resellers. We are trying to take their services to our customers saying that can we help them who are currently using AWS, for example, or something and asking them like can we support them with for if somebody is trying to put together some AI kind of POC where some computing power is required. We are trying to tell them that instead of going on AWS, why don't you help give us that and we'll do it on E2E servers and so on.

So we are not working for E2E currently. We are like we have registered partners, and we are trying to take their solution or services to our customers and thereby leveraging their cloud and other services.

Rohit Reddy: Will the billing be different when we go with E2E rather than AWS or AWS solutions like what additional are you giving to the customers?

Sunil Kulkarni: Currently, at least we are like for some customers price is a differentiator. For some customers, we are trying to showcase that this is a local like they have a local data localization or local

offering with AWS etc there is this. Again, it just started this year. We are also looking at like what could be how we can differentiate.

Rohit Reddy: And what would be the ideal duration like how much time do we have a customer like is it like 6 months retention or like how does it happen?

Sunil Kulkarni: So typically if it's so there are customers who we are doing like a onetime project, for example. I want to do this and develop an application or develop say 500 hours of data set and finish this one, but for customers like say SAP, for example, last 12 years we are their Indian language partners because now SAP has certain toolsets processes which cannot be easily replicated or easily trained. Initially with 10 years, 12 years back when they started that create their three partners in India. Now we are the only partner left.

And then so in such cases we see there is a tight meshing with them. Likewise, they when I say Amazon or Flipkart, Flipkart and our servers at some point were connected through API. So that engagement was more than 2 years and so on. So there are certain in Japan for certain clients we are supporting more than 7 years their systems and so on. So there are, of course, are of course idea or sweet spot would be how we can engage with customers with a long, more longish hook or more longish term. At the same time, sometimes we have to start with some one-off projects. They also are testing us and then once we go through, we open up doors and try to kind of expand there, but yes so, we have different kind of clients with different size project size.

Rohit Reddy: Thank you. So that's it for me. I just I mentioned right to say just go through it once you will also have some idea of what kind of **client**.

Sunil Kulkarni: Of course.

Moderator: Thank you. Next question is from the line of Akash Chopra Individual Investor. Please go ahead.

Akash Chopra: Just wanted to ask you on the Delhi office. So basically you have recently taken some space on lease in Delhi to apply for RFPs with the government. So could you throw some light on the nature of such opportunities and the potential use in this space?

Sunil Kulkarni: Yes. So last 1.5 years we have now set up a taken up a person in Delhi who is setting up appointments and meeting in various different departments and so on. So we see there are opportunities for the localization of websites are building of a more kind of workflow-based system where they want to distribute information like PDF or SMS in different languages for different reason and at a broad scale.

And then there are such RFPs coming up, but when we try to participate in those RFPs, we saw, of course, some there would be other competitors and so on, but there we would see always in recent RFPs your support office or who should be in Delhi. There could be such condition. And then we thought that it's better to have presence there so that we look like we have a have a base there. And anyway, we have this sales guy to that if we get some such projects, we can have support centers as well.

Two we are also seeing that there's a lot of Japanese industry meaning we knew that, but we never wanted to thought of targeting them. There's a good amount of Japanese industry around Delhi, Nimrana, Gurgaon and so on. We have to tap them now with this. For Japanese even companies, they see Delhi, Mumbai, Chennai have direct flights. When we say that come to visit us to Pune, they say that it is very far. So now we hope that with Delhi we can also attract them you can come directly to our office in Delhi and see. We have just taken desk space currently, but we hope we can ramp up that office similar to our Hyderabad office. We can set up a 30-40 people center there. Of course, depending on customers.

Akash Chopra:

Thanks for that. Just one more question. So basically on your Japan India consulting space like you are helping companies with setting up small GCCs in India. So, are you only in the consulting business in that or are you also helping them get employees like a managed services model or are there any other further sources of revenue under that?

Sunil Kulkarni:

Today, when we are approaching Japanese customers, we have kept ourselves a bit open. Today the kind of engagement we are seeing is we want to do can you help us with market research on startups focused on insurance companies in India. Here we have to research Indian startups focused on insurance domain, build a report for that, and provide to this customer. I am giving you one example then some customers are saying we want to hire Japanese language with technology, and can you help us hire them, but also train them before they come to Japan where we bring in the training aspect of how to work on a Japanese IT firm and daily what are the operations typically done there and so on. So that training comes in.

There are different kinds of engagement. We are trying to approach the global GCCs based in India. So recently we approached Deloitte. So there if you look at these companies, most of the business is from U.S. Europe but they are still not able to tap the Japan business that much compared to their global business because of again language, culture, these kinds of requirements.

So there we are trying to see can we help you set up a small JCC within your GCC. This again we are trying to take. We are trying to help can we set up a small captive within our organization and then you can have a model. So we are trying to take, but most of them for Japan despite their progress growth, from a mental perspective, their Asia ends around Thai and Indonesia and so on. They see India as far kind of meaning they know India, but the language and how to manage Indians is also.

A Vietnamese or hiring a Vietnamese or Myanmar is easy because they are subdued, they listen and so on, but to manage Indians, we are telling them we will help you manage them we can help you again. We are open, we are not bound by any domain perspective, we are telling retail companies can you come into India, electronics companies can you set up a small set up here, Indians have a lot of design capabilities and so on. So let us see how those plan out. Our specialization is we understand the Japanese psyche like what they are thinking or what their next question would be and so on and that we want to leverage.

- Akash Gupta:** Got it. Thank you, sir. That's all from my side.
- Sunil Kulkarni:** Thanks a lot. Really appreciate it.
- Moderator:** Thank you very much. Sir we don't have anyone in the question queue. Would you like to give any closing comments?
- Sunil Kulkarni:** Yes, please. Thanks a lot for your continued support and belief. We are still like it is hardly 8 quarters, 10 quarters that we have done because we work with Japanese the timeline like last 10 years I have been working in Japan. So they always see your life expectancy as 100 years and whenever I would say I won't need more business, they would say now you are 50, you make more mistakes, and you will see more business. So, we have a good amount of long-term view, but at the same time after going public, we realize that we also have to have a quarterly kind of a growth model and so on.
- So, while we highlight and we are - we also foresee that there could be some quarters which might not be gone good or slightly less than what we are expecting and so on, but with a long-term view, we see that there is a good set of opportunity. We are trying to get better and better ourselves; new people are joining, they see that this company is better than what they were two years back, some people are observing us.
- So, we hope that you will stay and connect with us, give us some good inputs. I think two or three quarters back, one of the investors had written to us that you are going - you are selling localization, why don't you have your website localized? And we took that input positively, we have recently launched our site in seven, eight languages and so on, but language the moment people think of Japan, I think at least in Pune and around we see that people think of either Fujitsu entity Data or Fidel.
- Whoever is learning in Japanese in India, they know about Fidel. So, that way I think for language and technology, we want to get ourselves branded and there is a good set of opportunity, Japan, India, global. So, while we want all of you to tell your friends and to invest in us or stay connected, please at least follow us, and spread the good word around. Give us pointers regularly and we will follow up. Thanks a lot. If you are in Pune, just jump in or visit us anytime. Thanks a lot.
- Moderator:** Thank you very much. On behalf of Fidel Softech Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.