Operator: Good afternoon, everyone. This is the second day of Bharat Connect Conference 2026, September Edition. I welcome you all to the call of Magellanic Cloud Ltd. Today, from management, we have Joseph Sudheer Reddy Thumma, MD and Global CEO; Amiruddin Syed, Director; Mittal Joshi, CFO and Strategy; and an IR team from Kiran Advisors.

Before I hand over the call to management, I will outline the flow of the event. We will start with opening remarks from management and then move on to the Q&A round. Participants who would like to ask questions can raise their hands or put their questions in the chat box. First, we will take questions from participants who have raised their hands and then move on to the chat box. If time permits, we will take the questions I have received from clients who were unable to participate. Please note that we will take the last question 5 minutes before the end of the session. Over to you, sir.

Joseph Sudheer Reddy Thumma – MD & Global CEO: Okay, great. Thank you for the call. I wanted to present Magellanic Cloud as part of the Arihant Capital investors' meet. Magellanic Cloud Ltd. is a diversified company that I would like to present. We are building to scale, accelerating growth, and creating value. That is what this representation, or investor presentation, is all about.

We are a trusted company with revenues of 700 crores in FY25-26. Coming to the company, I would like to say that we are not in just one segment. We have diversified segments, covering very different areas, and we are heading into the cutting-edge technology space.

The first segment is e-surveillance, where we have two companies, IVS and Vigil. This is a new area in which we have been doing business in certain areas, but we have expanded significantly. We also have a flagship product called Scanlytics, which works extensively with video data, customer management, and field support system management. We were using all of this internally, but we have now created this as an enterprise product.

We are also in the drone manufacturing space. As part of this, we have two companies, Scandron and MC Ray Extend, which is currently a joint venture. In the regular IT/ITES segment, we have multiple companies. We have three companies: one is in fintech, Phenoix, and the other two are staffing and services companies for global customers and clients, Motivity Labs and JNIT Technologies.

That being said, this has been a year of strategic wins. We have achieved a lot over the last 1 year to 1.5 years. At a high level, the biggest winner has been the e-surveillance segment, where we have won orders worth almost 350 crores in the railways and public sector space. That is the biggest win for us. Across oil and gas, BFSI, and PSUs, the combined value of 350 crores is significant for us.

Here is the team. Pratik Bhatt is the CFO of the organization. Syed Amiruddin is the CEO for the e-surveillance division. I am the Global CEO and Managing Director of Magellanic Cloud Ltd. We also have Krish, Krishna Prasad, who is the CTO for Motivity Labs. We have each of them in these roles, and wherever we do not have business heads, I am handling those areas and trying to grow them, identify the right people, and put the team together.

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Regarding the journey from inception, I will cover it at a high level. I will finish the presentation within 20-30 minutes or so, and then we will have a Q&A session. Let me go through all of these segments.

Our initial conversion of Magellanic Cloud into a technology-based company started with JNIT Technologies being absorbed into what was then called South India Projects Limited. We then transformed that company and renamed it Magellanic Cloud. MCloud is the ticker for the company. We slowly merged or acquired companies and scaled them up.

The first acquisition of this kind was in 2020-2021, when we acquired Motivity Labs for 46 or 47 crores, with 70 people. At the time of acquisition, it had approximately 5 million in revenue. Now we have 450-500 people and revenue of 30-35 million in Motivity Labs, and we are continuing to grow the business.

Then, in 2022, we acquired the e-surveillance company, IVS and Vigil, for 327 crores, with 750 people. This is a high-EBITDA-margin business with regular operational income that was close to 125-130 crores back then, or approximately 100-110 crores. In FY25-26, we have almost crossed or are close to 180 crores of business in e-surveillance. This is where the majority of the 350 crores of orders that we currently have are in place, and these orders will be executed within the next 1 year or so.

Scandron is another company that we acquired and where we invested significant amounts in R&D. We have created a large number of products in the logistics space and in the surveillance space.

Joseph Sudheer Reddy Thumma - MD & Global CEO: And then, in the next line of business, or in the next phase of acceleration, we have our product, Scanlytics. Video-based analytics is an area on which we are predominantly focusing, and that has given us a unique, sellable product for winning a lot of these.

This is the high-level financial revenue. Revenue has grown from 200 crores in 2020 to 700 crores at this point, with EBITDA growing from 3 crores to 222 crores and PAT growing from 1.7 crores in 2020 to 114 crores. This is the current situation of Magellanic Cloud Ltd.

Coming to e-surveillance, as I was saying, it is an on-premise and cloud-based platform with video management, video analytics, a command and control center, and a quick response team that stops any...

Management: ...kind of threats and suspicious activity, either by calling the police on 100 and then informing the appropriate escalation matrix, while trying to avoid theft, vandalism, and similar incidents. This protects the key assets of financial institutions, whether they are ATMs, branches, gold-vault premises, or retail locations.

All of these together constitute the e-surveillance business carried out by IVS and Pro Vigil, backed by our key product, Scanlytics. Scanlytics consolidates all the video data within the video management system and provides a command and control center where all escalated events triggered from the edge, whether at an ATM, branch, or elsewhere, come and land.

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It helps you handle these events by reviewing the video, triggering a siren or conducting two-way calling, and trying to talk to the relevant people and avert the threat immediately. It then carries out the escalations. It also manages the entire portfolio of your assets or equipment and handles field maintenance and management. That is another interesting application we have, along with AI-powered video analytics.

We do not only analyze suspicious activity; we also provide business intelligence and many other inputs. We can identify SOP violations, deviations, and compliance-related issues. We can provide any kind of video-data-based intelligence that you require. That is the unified solution or product called Scanlytics.

The e-surveillance space is growing every day, and it is going to represent a larger market share over the next 10 years. Digital transformation is happening everywhere. The railways are the biggest player, and they are developing infrastructure across coaches, railway stations, dedicated freight corridors, level-crossing gates, canteens, and other railway infrastructure.

The next major area is the perimeter of large assets, office spaces, and other locations where better intelligence and management are required. There is a lot of scope in this area, and analytics are key drivers. We have a predominantly 40 billion market share, and this is where we are emphasizing global expansion.

Initially, we were focused only on banking. We then focused on entering the PSU space, and now we are moving into international markets. These are some of the logos we have: Indian Railways, RailTel, MHSCL, IRCTC, and others. In banking, we work with SBI, J&K Bank, Bank of Baroda, Canara Bank, and others.

IT/ITES is the core function of our business. Whether it is making a solution, developing a product, or working in areas such as drones or e-surveillance, technology is the key driver. Technology enables us to transform all kinds of business solutions, particularly through AI, GenAI, Agentic AI, and computer vision, or AI/CV. We implement these technologies across organizations and product-based businesses.

Scanlytics is one of our key products. JNIT Technologies and Motivity Labs do a lot of work for data centers, whether for a drug-based organization or for other applications involving AI. We also work in the travel industry and several other areas. We are Microsoft-certified, work with AWS and UiPath, and have many other capabilities.

The biggest driver of our business growth is the use of AI. Utilizing AI is the way forward in achieving business intelligence in this area. Of our 700 crores of revenue, 450 crores comes from the IT/ITES space.

The next segment is drone manufacturing. We started in the logistics space with small incubator services. After seeing the potential growth, we focused on this area, and we have the first DGCA type-certified logistics drone. We have multiple variations, from 5 kg all the way to a 200 kg payload, with different altitudes and ranges. These drones can travel from 5 km to 100 km in the logistics space.

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The sweet spot is 5-10 km, but depending on the weight and payload combination, we can travel 20 km or 50 km. In the defense space, we have product lines for munition dropping, tear gas, and other applications.

The Skycrane is a variation of our logistics drone for the surveillance space. It can drop and pick up items using a pull-and-push model. It can drop an item and leave without having to land. That is the Skycrane.

In the surveillance space, we also have long-range surveillance drones with longer endurance, ranging from 2 hours to 4 hours, and ranges from 10 km all the way to 100 km.

We have had to make significant investments to achieve maturity in the drone space. These are the logistics drones that we have. The 5HE has a 5 kg payload and a 15 km operational range, with the relevant speed specifications. These are all different logistics cargo drones.

These are the surveillance drones, ranging from a smaller drone with a 10 km range to drones with 50 km and 100 km ranges. We also have the Skyncap, which is a dropping mechanism that allows you to target and drop an item. Recently, an agriculture drone has also been type-certified, and we have that in the drone space.

We have also entered into a joint venture with Extent. Extent is an organization that provides a striking drone, which is very much needed at this time in a war-related environment. When something is coming toward you, you need to be able to protect yourself. Protection can be carried out in multiple ways, and one of those ways is striking. You need to attack the opposing force or enemy and neutralize it by hitting another drone or any other target that you want to hit.

The target could be a moving vehicle, a moving ambush, a moving person, or any other moving object. The drone has a tracking mechanism that enables it to track and hit the target precisely. This is the technology we have developed through a transfer-of-technology mechanism with the joint venture company called MC Ray Magellanic Cloud Rayonics Extent.

At a high level, this is what the business does, the kinds of portfolio mechanisms we have, and the clientele we serve. We serve very large clients. Within the fintech space, we serve many companies in the financial sector, trading platforms, and other areas.

That is the overview. On the financial side, as I told you and showed you, this is where we are in terms of revenues, EBITDA, PAT, and our ability to move aggressively into these areas. Most of the areas on which we are heavily focused are in the e-surveillance space, both in product and services revenues.

Operator: Shall we start with the Q&A, sir?

Management: Yes, absolutely. We can.

Operator: There are a few questions in the chat box, which I will read out. The first question is from Abhishek Gupta. How much are the margins in the e-surveillance business? Is Arjun Naik, who was leading Scandron, still working, and what is the outlook for Scandron going forward? How large is the order book and what are the margins? Why has the stock price collapsed by 85% in the last

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18-20 months?

Management: I think these are good questions, and I will answer them one after the other.

The EBITDA margins in the e-surveillance business depend on the type of business. One type is an OPEX-based business, in which you bill the customer every month for carrying out e-surveillance. In that business, you have almost 50% EBITDA margins.

The other type is a CAPEX-based business, where you carry out installations at railway sites or other locations. There, you have EBITDA margins of approximately 20%. It depends on the location and the nature of the business, and in some cases the margin may be slightly higher.

If you combine the two, the EBITDA margin should probably be around 30-35%. If you add the next 300 crores of order book, you will have EBITDA margins of approximately 15-20%, and for the 150 crores, you will have approximately 50% EBITDA margins. That is the combination at an overall level.

Arjun Naik is no longer leading Scandron. I have taken that up, and we currently have a good technology leader who is leading the drone business.

Regarding the outlook for Scandron, there are significant opportunities because the Army and the Armed Forces are going to invest substantial amounts in drone warfare. There have been some changes in drone warfare and drone procurement because all of this current equipment has to be EW-compliant, which means it has to comply with electronic warfare requirements. It took some time to reach that point and incorporate the required solutions.

The outlook for the order book is good and positive. I cannot give you the exact figure, but we have already achieved almost 15-20 crores of order book for supplying the drones, or we both...

We did about 25 crores in the last year, and we are going to do a similar amount, plus the additional orders we are receiving. We should be able to deliver at least 50%-100% higher, and we are looking at FY27 and beyond, where we expect to do much more. We will definitely multiply that by 100% or 200%.

I cannot give you a specific answer because the information is confidential and there is a lot of confidential information involved in the situation.

Regarding the stock price and the decline, it is the market. We have seen the current war situation across the world and other factors. I cannot answer the rest of that. It depends on people's perception and the direction in which the market is moving. That is how I can answer it. We can move to the next question.

Operator: There is a question from an anonymous attendee. In the {? Mukrae ?} Extend joint venture, by which quarter is the manufacturing facility expected to become operational, and when will the first batch of drones be ready for delivery?

Management: We have already taken the manufacturing facility, and we are currently going through the transfer-of-technology exercise. We are obtaining the technology details and trying to establish

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local manufacturing.

It will take at least 1-2 months to understand all the relevant details. We should be able to fully operationalize the manufacturing facility in the next quarter, with the required compliance and readiness.

The OEM has to carry out all the quality testing and validation, including reviewing how we are manufacturing, what is being manufactured, how it flies, and all related aspects. There are many compliance requirements involving the original OEM manufacturer, and it has to review the process and provide updates.

Operator: When can we expect the first batch of drone production from your new JV, {? Mukrae ?} Extend?

Management: I think we will be able to start our production line in 1 quarter.

Operator: Has the company received any orders from the Armed Forces in the last 1 year? If yes, please provide details.

Management: Yes, we have deployed in several areas for the Army and Armed Forces, including J&K, the Eastern Corridor, and the Northeast. We have also worked with the Punjab Regiment and a few other units, as well as in J&K and Jaisalmer, where we conducted testing.

Surveillance is one of the areas for which we have provided demonstration drones. These are used for surveillance and tracking people, as well as for ammunition dropping. They can be used in a confined space—or rather, not a confined space, but at a base—where surveillance-cum-tracking and ammunition dropping are required. These are the relevant areas.

The execution value of the drones we have delivered is approximately 15-20 crores.

Operator: Regarding the 492 crores preferential issue, what is the current status of the exchanges' in-principle approvals, and what is the revised timeline for allotment?

Management: We are waiting for the in-principle approval, and we cannot say exactly what the timeline will be. We have to provide all the details requested, including how we are going to utilize the funds and other related information.

We expect the exchanges to respond anytime soon. This does not mean that it will take months from now. We expect to receive the approvals within a few weeks. Once we have the in-principle approval, it should take approximately 2 weeks for us to start receiving the investment, deploy the funds, and close the allotment.

The allotment process will take some time, and that is how the participation will take place.

Operator: When will your last fundraise through the preferential issue be completed, and why is it taking so long? Please provide details.

Management: Do you mean this preferential issue? It is simply a compliance process. Once we submit the documents and seek approval, it takes approximately a few weeks for us to receive

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queries, and then we have to respond within 1 week. It is an iteration that continues week after week with the exchanges.

I cannot say which exchange will respond first. We have NSE and BSE, and we need to receive approval from both exchanges. Even if one of them is ready to approve, the other one also has to give us the go-ahead. Otherwise, we cannot proceed.

That is the process we have to follow. In 1-2 weeks, we should be able to start the process after receiving the in-principle approval, receive the money, and continue with the allotments.

Operator: There is a question from Pratham Shah. Please provide more information on promoter pledging.

Management: Since the price has declined, we have had to provide additional call margin and related support, so we had to pledge more shares. There are business requirements for which I had to pledge shares and ensure that, while we were waiting for the preferential allotment, we could continue to meet the business requirements and raise funds in some manner.

The pledging is increasing for those two reasons. There is nothing to worry about. Once the situation stabilizes and we are able to repay the lenders, we should be able to get the pledged shares released.

In some cases, we have provided excess security, and we should be able to retire those loans and then unpledge the shares. Those are the only reasons why the pledged shares have increased.

We should be able to bring the pledging down once the preferential issue is completed. We should be able to repay the loans and release the shares. As circumstances become more comfortable, the lenders are willing to release the pledge.

Because of the current trend, the lenders wanted a higher multiplier than they had previously required. To provide that level of comfort, I had to take that step. In the next quarter or so, the pledging should start coming down significantly.

Operator: There is a question from an anonymous attendee. Will you manufacture all types of drones that Extent produces globally, or only particular types?

Management: We should be able to manufacture all types of drones, based on what we have. However, this will depend on certification and whether there are any government restrictions or permissions required.

There is an approval required from the local government wherever the product is to be manufactured or deployed. That approval has to be obtained. Most of the products currently form part of the transfer of technology. For anything that is manufactured or for any new product that is introduced, the relevant clearances will have to be obtained. The product can be issued only after those clearances have been received.

Operator: What are your vendor approval timelines? How should we look at the working capital cycle for the business, and how are you trying to improve it?

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Management: The area in which we currently had to invest significant amounts was EMDs, along with the current deployment cycles and related requirements. Inventory streamlining, calculations, and the related processes were critical areas where we had to spend money and correct the course.

The material has arrived and is lying with us, but it has not been deployed because of the various certifications and compliance clearances. That is where our processes are currently focused. The CFO and the team are looking into the vendor approvals and all related matters. I do not have complete information on where things stand and exactly what you are referring to in this question.

Regarding the working capital cycle in the e-surveillance business, it is improving significantly. There is a lot of improvement as we speak. We have been able to procure material and get a significant amount of material cleared and deployed, which makes it easier to move forward.

I am not sure what this question specifically refers to, but we did have 1 quarter of issues relating to materials, certifications, and discussions around those matters. That is where the situation currently stands.

Operator: The next question is from Gaurav. Is the pledge given for borrowing in the company or for borrowing at the promoter level? If it is at the promoter level, what were the funds used for?

Management: It was both. Earlier, the borrowing was taken at the promoter level, while the current borrowings are for the company itself. The pledge increased because of the decline in the price and the comfort level required by the lenders.

A higher multiplier was given to the lenders, and that is the reason for the mix. Those are the details of the situation.

Operator: There is a question from an anonymous attendee. Your current preferential issue is 33% of the company's market capitalization. Do you not think this is too risky for a common retail investor? How will you gain investor trust while the stock price is still declining?

Management: Can you repeat that question, please?

Operator: Your current preferential issue is 33% of the company's market capitalization. Do you not think this is too risky for a common retail investor, and how will you gain investor trust while the stock price is still declining?

Management: We have to raise substantial money, and without that there is no direct...

The people coming in are investors and shareholders. It is not the case that the value will always continue to grow while maintaining a higher individual percentage or limiting participation. That is not the right way to look at it.

We waited too long and for too much time. We were supposed to raise this money 1 year to 1.5 years ago, but for some reason we did not do it. If we do not take the decision now, there is also a mix of equity versus debt ratios that most bankers consider.

If we do not raise funds now, it will be difficult to raise equity or raise debt from the banks. Because of the order book, if we cannot deploy the funds and take advantage of the opportunity, we cannot

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grow. Ultimately, this is for the growth of the company.

I am not worried about my own percentage being diluted. I should be the person who is more concerned about dilution because I, or the promoter group, hold approximately 52%. I am not worried, but this is an essential requirement because of the order book and the timing of the opportunity. We have to do this.

I do not think I, or any of the shareholders, should be worried about this at all.

Analyst1: What is the revenue, EBITDA, and CAPEX guidance for FY27 and the long term?

Management: As I was saying, substantial CAPEX is required in the drone segment that we are entering. There is a joint venture in which we need to invest. There are also drone orders coming in, CAPEX requirements in e-surveillance, and requirements in other areas.

We also have to invest significantly in working capital. The indication is that, from now through the next 2 years, we may need 500-1,000 crores, depending on the requirements.

Most of that will be deployed on a rotational basis wherever there is CAPEX deployment. Wherever there is OPEX deployment, the money will come back because you deploy it and recoup the CAPEX. However, in banking and other sectors where we operate on the basis of recurring monthly revenues, we have to deploy a significant amount of assets, and that becomes CAPEX.

Per year, I would estimate that at least 100 crore plus would be required for e-surveillance. There are also other projects for which we are bidding. Large projects are coming in, worth approximately 200-300 crores, where direct deployment of 100 crores or 150 crores should be required.

Therefore, we have to maintain a balance, and equity and debt have to be maintained in the appropriate proportion. As an indication, the CAPEX or funding requirement is between 500 crores and 1,000 crores over the next 2 years, which is what we would be deploying.

Some of this will come from debt, and some percentage will come from the equity raise that we are carrying out now. {? 70, 80 crores ?} relates to R&D. Since we have started delivering some of those products, we are able to amortize the R&D as part of the quarterly expenses and recognize those expenses in the books.

I think {? Prateek ?} can provide you with the answer, but I do not have it at the top of my head right now. We should be able to get back to you on that.

Operator: The next question is from Majid Ahmed. Hello, you can unmute yourself and ask your question, sir.

Majid Ahmed: Am I audible, sir?

Management: Yes.

Operator: Yes, you are audible, sir.

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Majid Ahmed: Thank you for the opportunity. I wanted to know, particularly regarding e-surveillance, who the major competitors are.

Management: We do have competitors, but when we consider the complete end-to-end solution, I do not think we have any direct competition.

There are participants in the bidding process. On the product side, there are international players such as Milestone and Genetec, with whom we compete. There are also smaller local players. We compete with them, and Scanlytics is the strongest winner on the product side.

As a system integrator working on complete system-integration projects, we do have some competition. However, our technology and service delivery, along with the fact that no one else owns that entire technology space, put us well ahead of the competition.

Some of the names in the market are CMS and SIS. These are some of the companies with which we compete in banking e-surveillance and other areas.

On the PSU side, there are a few other organizations, such as RailTel, with which we work, as well as ITI and BEL. These PSUs undertake surveillance work, but they do not have the technology themselves. They have to partner with someone.

The partners do not have the technology, people, and in-depth know-how required. That is our sweet spot and our competitive edge.

Majid Ahmed: Regarding the fintech space, we are now focusing completely on e-surveillance, drones, and defense. Why are we deviating somewhat into fintech? How much revenue are we currently generating from fintech, and what is the plan?

Management: We are generating approximately 40 crores, and we are making inroads into the market. Every quarter and every year, we are developing different strategies.

The current strategy is to expand the sales function across all these spaces. We were waiting for product lines and the ability to deploy and onboard customers quickly. Now that we have reached that stage, we are introducing different products on the fintech side.

We are working on e-KYC, banking solutions, trading, and future trading, among other areas. These products are based on the capabilities we have developed.

Every company that I acquire takes approximately 1 year or more to develop a strategic direction, establish product lines, and set up the complete sales funnel, not only in India but also in international markets.

At present, Kevin is scaling up in the GCC and UAE areas. We have started exploring or hiring people in Europe and the US. This is a major direction we have taken.

Now that we have a broad range of solutions, it is easier to hire people and ensure that we sell the different products and solutions. We were not doing this earlier because Scanlytics had to support faster deployment and onboarding of customers and ensure that it was operating at the required speed.

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That was one reason. We have recently entered fintech, so we need to identify the best-selling products and add them to the portfolio. The drone ecosystem requires a lot of licensing if we want to sell or do anything in that area.

With AI, we should be able to sell many AI products as solutions with recurring revenue.

Operator: Due to time constraints, we will have to close the call.

Management: These are the reasons for our approach. We are now able to scale very aggressively in sales and marketing, and we are confident that we will expand across the remaining areas.

Majid Ahmed: I have one final question. Are there any plans to conduct earnings calls on a quarterly basis so that investors can better understand the business?

Management: Yes, absolutely. We had planned to do this at least last quarter, but due to travel and time constraints, we were unable to do so. From now on, there will be an investors' call on a quarter-on-quarter basis.

Majid Ahmed: Thank you very much, sir, and all the very best.

Operator: On behalf of Arihant Capital, I would like to thank the management and the participants for sparing their time and sharing insights about the company. If participants have any further questions, they can get in touch with the Arihant Capital team. Thank you.

Management: Thank you. Thank you, Arihant Capital.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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