



Canarys Automations Limited

(formerly known as Canarys Automations Private Limited)

Regd. Off.: # 566 & 567, 2nd Floor, 30th Main, Attimabbe Road, Banagirinagara, Banashankari 3rd Stage, Bengaluru-560085, Karnataka. INDIA.

CIN: L31101KA1991PLC012096

Phone: +91-80-2679 9915;

e-mail: fin@ecanarys.com; web: www.ecanarys.com

July 02, 2024

To
National Stock Exchange of India Limited (“NSE”).
Exchange Plaza, Plot No.C/1, G- Block,
Bandra –Kurla Complex, Bandra (East),
Mumbai-400051

Scrip Code: CANARYS

Subject: Transcript of Investor Call held on June 27, 2024

Reference: Regulation 30 read with Part A of Schedule III to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Dear Sirs,

Pursuant to Regulation 30 read with Part A of Schedule III of the Listing Regulations, copy of transcript of the Investor call held on June 27, 2024 at 4.30 P.M. (Indian Standard Time) on the audited financial results for the half year ended and year ended 31st March, 2024 is enclosed.

We request you to take the same on your record.

Thanking you.

Yours faithfully,

For Canarys Automations Limited,
(Formerly known as Canarys Automations Private Limited)

Nagashree Hegde
Company Secretary & Compliance officer
Membership No.66166
Encl: a/a



“Canarys Automations Limited
FY 2023-24 Earnings Conference Call”
June 27, 2024



**MANAGEMENT: MR. RAMAN SUBBARAO – FOUNDER, CHAIRMAN AND
MANAGING DIRECTOR – CANARYS AUTOMATIONS
LIMITED
MR. RAGHU CHANDRASHEKHARIAH – DIRECTOR AND
CHIEF FINANCIAL OFFICER – CANARYS
AUTOMATIONS LIMITED
MR. SHESHADRI SRINIVAS – CHIEF EXECUTIVE
OFFICER AND EXECUTIVE DIRECTOR – CANARYS
AUTOMATIONS LIMITED
MS. ANITA BALAGOPAL – RESOURCE MANAGEMENT –
CANARYS AUTOMATIONS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Canarys Automations Limited FY 2023-24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Anita Balagopal from Canarys Automations Limited. Thank you and over to you ma'am.

Anita Balagopal: Thank you, thank you Robin. Good morning, good afternoon, and good evening to all our participants around the world. It's a pleasure to welcome you to the Canarys Automations Limited Earnings Conference Call. I'm Anita and I handle Resource Management and parts of Business Operations here at Canarys Automations. I'll be coordinating the session.

Today we have three featured speakers from Canarys. Mr. Raman Subbarao, our Chairman and Managing Director. He's the Founder and Key Architect of Canarys with over 38 years' experience in the IT field.

Then we have Mr. Raghu Chandrashekhariah, our Director and CFO. He has over 30 years' experience in the software business. Then of course we have Mr. Sheshadri Srinivas, our CEO and Executive Director. We fondly call him Shesh. As the alumni of IIT Bombay, Shesh is known for his ability to set strategic directions for the company. He is an accomplished leader with over 25 years' experience in both technology and business management.

So that's just a little bit about our speakers. Now let's quickly go through the agenda. Shesh will cover the company overview, business overview, both for our technology solutions business as well as water resource management solutions business.

He highlights in 23-24 our value proposition, financials our focus and growth strategy. After the session by Shesh, we'll open the floor for questions and discussion. Our Directors will be happy to clarify your doubts and provide more information as needed. So thank you and let's get started. Over to Shesh.

Sheshadri Srinivas: Okay, thanks Anita and hello everyone. Hope all are doing good and thanks for joining the conference call today. As Anita mentioned, we'll go through the business overview. We'll also understand at Canarys what we do, and we'll also discuss about the highlights of 23-24. And also discuss more on the strategies and how we are planning and the vision for the next three to five years. We'll open for Q&A post the discussion. Let me talk briefly about the company.

Canarys Automations Limited is a 34-year-old IT solutions based out in Bangalore. And we also have our own subsidiaries in North America as well as in Singapore. We are around 350 people team and into two different business lines.

One is technology solutions and another one is the water management solutions. Under technology solution business, we cater the digital transformation offerings, which spans from digitization through the intelligence. When I say the digital transformation, we have our own proprietary frameworks built across multiple domains and technology.

We have something called as digitalization, modernization, cloudification, automation, transformation, and intelligence. These are the six different buckets that we operate under digital transformation offerings. And the entire six buckets put together, we transform companies into a complete digital operations.

So we start with the digitization where people can get their digitization done. And then we help them getting into this modernization where the application modernization can be done. So if you are aware, like a lot of companies, they are into the legacy systems and they have limitations in scaling their operations or limitations in scaling their business because of the legacy technology and the applications that they are on.

So they come to us with a problem statement saying we are not able to scale. And we help them modernize their entire infrastructure, entire application landscape, entire business landscape, and then help them scale their operations and also help them scale their business. So with that, we also bring in something called as the cloudification and automation piece.

So if you look at most of the companies are heading towards the cloud and that's basically again because of the scalability options, what we get it. So we help them bring their applications onto the cloud and we help them automate quite a lot of their operations and bring in the intelligence piece. So today the intelligence is the buzzword in the market.

So we bring in quite a lot of the artificial intelligence or what we call the AI and the ML. And with these intelligence solutions, we help their operations and business more efficient and more data-driven approach. So we also have a lot of what we call that our own proprietary solutions which are available in the marketplace.

With that, I would like to touch upon the kind of partnerships that we have with a lot of big OEMs. We've been working with Microsoft for the last 18 years, 18 to 20 years. We've been working with GitHub for the last eight years. And SAP, we have been working as partners for the last three years.

And GitLab in the class and again, we've been working for quite some time now. So the reason I want to bring the partnership here is the kind of solutions that we have developed using this proprietary technology. So with the partnership with, say, for example, Microsoft. So what they call it as, you have different levels of partnership, silver, gold, platinum, allied partnership. So we are at the highest level of partnership with Microsoft when it comes to DevOps. So the kind of solutions that we have in the marketplace today are related to DevOps.

And the kind of partnership that we have helps us bring these solutions to the market. So we get the, we work very closely with product engineering team of Microsoft. With that, we get a lot of insights before the product is released to the market. So because of that, we have an edge over other competitors in the market. And also, we understand a lot of gaps, what is available with the product. And we build our own solutions and those solutions are available in the marketplace for people to, subscribe and use.

To name some of the proprietary solutions, what we have, DevOps, Sparkboard, Copy Project, GitHub SmartBoard, Clone Project. So these are, very few to name. And we have around 20 solutions like this available in the marketplace.

A lot of them are subscription-based and they can start subscribing and use. And some of them are one-time use. Say, for example, if they want to migrate from one source control or one technology to others. So they can use this migration solution. This is the technology solution. Coming to the water resource management, we work on three different solutions. One is the canal modernization. The second is the flood early warning solutions and the other solution is the irrigation canal SCADA gate control.

So these are the three different solutions that we work. And primarily we work with the government bodies because most of, not most all of the water bodies today, be it the canal reservoir or anything, it is owned by the government. So we work very closely with the state government.

So we cater, there are two components when it comes to the water solution, water management solution. One is the hardware of the sensors, what we call, which we import from US, North America and Europe. And these sensors are deployed on site at the canals. Then it is integrated with our software. We have our own proprietary software called DSS, Decision Support System. So these sensors are pretty much integrated with our software.

So what we do is there is a process called SITC. We Supply, Install, Test and Commission. So we supply the hardware components. We install, we test and commission. Once this is implemented, we start collecting data from these sensors. So the data can be volume, rainfall, temperature, humidity, wind speed, quite a lot of data that we collect from the sensors.

And the data is transmitted through GSM or GPRS and wherever we see the signals are not available, we use the satellite communication and transfer the data to a central server. And from the central server, we do quite a lot of data analytics.

And, you know, we convert the raw data into meaningful data. And these data are made available on the phones or through web-based applications. So with this data officers can get the meaningful data and take the right decisions at the right time. That is what we do with the water resource management. And we also are into the early flood warning. So this is one of the first of its kind where not too many players are working on this.

And we are very, very proud to say that we are the early movers and one of the niche players in the flood early warning systems. We have our own proprietary, again, DSS, which really works pretty well with the flood warning. So we work with both the urban flood warning systems and also at the canal level at the irrigation level.

So these are the two different business lines. One is just to repeat, the IT solutions and the water resource management. So now let's move on to the highlights of previous years, that is 2023 and 2024.

You know, it's one of the best years for Canary, I want to say, because there are a lot of activities that we achieved, a lot of milestones that we achieved. And I want to really share these highlights on the achievements that we went through last year. We went public and listed under NSE Emerge in the month of October 2023. So that's one of the major milestones for us. Then we've released 10 different new solutions to the market.

With that, I think our solution count has increased to 25 plus today. And these solutions are available in Canary's and also in the partner marketplaces. We have acquired about 78 new logos. That's a predominantly, pretty high logo acquisition, if you look at Canary's history. And also, we entered into three new segments. These are very, very unique logos and pretty good segments for us.

And recently we entered into a non-binding term sheet, to acquire a 20-year-old services business based out in North America. So I'm going to talk more on this as well. So these are some of the very, very niche highlights. Just to name the logos that we acquired last year, 78 new logos. We acquired about 40 new logos in the 80-80-year space and 10 different logos from the BFSI, which is our core.

We predominantly work on what we call it as the BRIM PH. So it stands for Banking, Retail, Insurance, Manufacturing, Pharma, and Healthcare. So if you look at that kind of portfolio, we acquired about 10 new logos in the BFSI segment, three new logos in manufacturing, two in retail. And as I mentioned we entered into new segments, one in mining, one in petrochemical, and one in aviation.

So we entered into these segments by catering our own solution. So our solution is really helping us acquiring a lot of new logos and building quite a lot of value addition to our customers. With that, I think, I also want to talk about the new solutions that we released to the market.

We released about 10 new solutions in the last financial year. Most of them are the technology solutions in the space of DevOps. So DevOps is nothing but, you know, your development plus operations put together. We call it as DevOps and most of these solutions have been used in that space because we concentrated predominantly in the DevOps solutions last financial year. So with these 10 new logos, we are able to acquire about 7% to 8% more business and more customers.

So that has helped us really penetrate into the large enterprise accounts, be it the BFSI, manufacturing, even in Automobile. So we are able to provide these solutions. We are able to convince the customers. So customers are getting a lot of trust factor on us. All these things are possible because of the solutions approach that we have today.

And coming to the order booking and how the order booking is planned. So as on June 24, we have about INR123 crores worth order booking for the next three to four years. So we are still in the first quarter, and we have about INR123 crores order booking available. So that predominantly shows that the solution approach is really working for us.

And also it gives a good belief in the system. And also it gives quite a lot of confidence because the order booking is available for the next three to four years. I also want to talk about the kind

of awards and the partnership that we achieved last year. You know, we got into a partnership with LambdaTest. That's a new partnership, a new OEM. And, you know, we got into this partnership.

GitLab is another OEM, again, in the DevOps space. And you know, we got the partnership with GitLab, and we became one of the solutions partners of SAP. And then they moved up the rank, what they call it as the IRPA, Intelligent Robotic Process Automation.

And we are named as one of the solutions partners of IRPA. Then we achieved in GitHub quite a lot of advanced partnership. So they have something called as GitHub Advanced Security Certified Partner. There are very, very minimal number of partners available in that space and we are one among them. And we are proud to say that. And we also received some of the TechEd awards especially for contributing in the technology space.

So that's all the awards and recognition, what we received. So coming to the differentiating factor of Canary's, there are four different buckets, what we call. One is the proven credentials, because we've been in the business for the last 30-plus years and we have an extensive track record. And we have gained a lot of competitive advantage and reach. And we have executed a lot of deep technologies and given a lot of value-add to the customers.

Then we have something called as the first-mover advantage, because we focus quite a lot on the digital transformation and WRM. And we ourselves have seen the evolution of technology for the last three decades. With that, we have the early mover advantage when it comes to the digital transformation.

And, of course, the water resource management, we are one of the leading technology and solution providers. We have a robust leadership team, both in WRM and IT solution space, which also helping us to solve the challenging issues when it comes to the digital transformation, flood warning or river flow or irrigation network. So with the kind of leadership team that we have, we are able to provide quite a lot of value addition to the existing customers.

And then we use cutting-edge proprietary technologies. We have built quite a lot of proprietary solutions in the space of RPA, DevOps and the DSS or the decision support system. So in the RPA space, we have about 700 to 800 bots available, which caters a good number of business use case and business challenges. And we reuse them to provide solutions and bring PHR, you know, the banking, retail, insurance, manufacturing, pharma, and healthcare. So DSS is specifically for the WRM business. So that is, again, built by a proprietary solution.

Coming to our value proposition, we have moved from services to solutions. If you look at Canarys probably about four or five years back, we were heavily working on services business. But we used to get quite a lot of requirements and then we used to cater custom application development to our customers, depending on the need of the customers.

But today, moving up the value chain, we are into solution space. When I say solutions, we have built quite a lot of frameworks internally and then we have a good number of solutions available in the marketplace. So customers' trust factor has increased, customers' retention has increased, and then the annuity business has increased for us.

And with the solutions, we are able to attract a lot of enterprise customers across the globe. And we are able to gain a lot of traction, especially in the North American region with the solutions approach. So that's on the value proposition.

And then coming to the kind of the focus where we are heading next three to four years. We have a good commitment in building industry and technology solutions. And we are investing heavily on AI and ML, artificial intelligence and ML, the machine learning technologies. And we have started building quite a lot of solutions. And we are quite well aligned with our OEM partnerships be it Microsoft, GitHub, SAP or GitLab. So we are quite aligned with their roadmap. And we know that how their products are getting scaled and spanned. So our solutions are very much aligned with our OEM business.

Then we're building top-notch technology and leadership teams. So our focus is to, because ultimately whatever the solutions that we want to deliver to the market, we need a good leadership team and good technology team. So that is where our focus building the top-notch technology and leadership team.

So these are our focus. So two key takeaways here. We want to invest heavily on artificial intelligence and machine learning, the data-driven approach. And then invest heavily on industry solutions and technology solutions. And also, as I mentioned on building timesheet in acquiring the North American business. So we are quite focused in land and expand strategy when it comes to North America.

So we are expanding with this acquisition. So the target company is into the business for the last 20 years. They have better brand available locally and they provide services in the BFSI segment, which perfectly aligns with our solutions and the expansion strategy what we have today.

And they're a profit-making company and they have large enterprise logos available. So it allows us to penetrate into these enterprise accounts pretty easily with our solution. So that's the land and expand strategy that we are following for the North American expansion. So these are the key focus in the next two to three years for us.

Then coming to the financials, we closed in about INR75 crores last year and with EBITDA margin of 18.23% and a PAT margin of 13%. There's been a continuous growth for the last four years. And this year also we have, as I said, the order bookings are quite strong and it gives good amount of confidence for us to run the show this year as well. So that's on the financials high level.

And in the growth strategy, we are looking at a lot of order booking this year and we are looking at the market-specific technology offerings to be released and the global expansion, especially in the North American region. These are the growth strategies and the financials at a very high level.

Yes, I will take a pause here and open for any questions and answers. And then I can, myself or Ram and Raghu are also there, so we can take up the questions.

Moderator:

The first question is from the line of Simar from Negen Capital. Please go ahead.

Simar: Yes. Hi, sir. Good evening. I just want to have a couple of questions, one being your order book. Can you give me the split between both your businesses?

Sheshadri Srinivas: Can you be a little louder?

Simar: Sure. Can you give me the split of your order book between the two businesses?

Sheshadri Srinivas: The order booking, you mean to say?

Simar: Yes.

Sheshadri Srinivas: Okay. So the order book -- I mean, generally, I'll give you the business split as well so it makes a little more sense. The business split between the IT solutions and the water resource management is in the ratio of 65% to 35%, 65% from IT solutions and 35% from the water resource management. So water resource management is generally we participate in tenders, and we win. It's not like, as I said, most of the business comes from the government bodies. So it is all through tendering process.

So we participate in select tenders which are really favorable and fruitful to us and then we win. So that's how we process. So the current order booking what I am showcasing here it is 95% is from the IT solutions and water resource management we have started participating in the tenders. So it will take some time for us to really update the order booking here.

Simar: Got it. So 35% is from the B2G segment and the remaining 65% is from the IT solutions?

Sheshadri Srinivas: That's right.

Simar: So I believe the last employee strength was around 320. Are you planning to increase this employee strength going forward?

Sheshadri Srinivas: We are around 350 people team today. We want to increase. We are also a little strategic because of the difference between a services company and solutions company. In services company, you need a lot of headcount because it is the headcount business, but in solutions company we can create a lot more value with the minimum headcount. So we tend to increase about 20% to 30% headcount this year not too many, but we want to increase our solution capabilities and we want to release more solutions to the market.

Simar: Sure. So just one more question on the 65% of your order book. How much is the new order wins and how much would be from the annuity business?

Sheshadri Srinivas: So today what we had about INR120 crores to INR130 odd crores of order booking. These are all the new bookings from this year. So we still have a lot of annuity business. So from this INR130 crores order booking about INR110 crores is the annuity because that is one of the major. We have signed a three-year agreement with a North American company for healthcare and then we also have a lot of other annuity business available.

So the order booking what I mentioned it is booked in the last three months which is this quarter, but if you look at the older the extensions what we get year-on-year that adds up to this and from there also we have about 40% to 45% on the annuity business.

Simar: Sure sir. Thanks a lot. I'll just get back in the queue. I have a couple more questions. Thanks a lot.

Moderator: Thank you. We have the next question from the line of Niraj Chhajer from Pransh Capital Partners. Please go ahead.

Niraj Chhajer: Hi. Thanks for giving the opportunity. Your debtor days have significantly increased to 310 days. Can you broadly tell the breakup of your debtors like how many of the debtors are more than six months and why it got significantly increased from 206 days to 310 days?

Sheshadri Srinivas: Sure. Raghu or Raman, do you want to take it up?

Management: Yes. So what is the breakup you want, sir?

Niraj Chhajer: Why the debtor days got increased from 206 days to 310 days for 31st March 2024? If I compare it with 31st March 2023, you had a debtor days of 206 which I assume is largely because of your water resource management solution, but as of 31st March 2024 your debtor days increased quite significantly to INR65 crores which is close to 310 days of your total sales that you have booked?

Management: Yes. The basic reason is some of the government contracts we have has a different payment term. So basically, it's split into 40-60. So when we deliver the equipment, they give us 20%. When we install another 20%. So the rest of the 60% is paid over a period of five years. The problem is our BOQ will be more than 40%. It may be 50%, sometimes 60%, 65% and we have to build that in order to take credit of GST and other things statutory requirements. So that is showing as the overdue bills. So that's why it has increased over a period.

Niraj Chhajer: But if I understand the water resource solution is the only B2G business? So that you did the entire year about INR27.2 crores. So your technology solution or if you can give a break of trade receivable between your technology solution and water resource management that will also be helpful to understand what debtors are outstanding from the government and which is an elongated debtors and what debtors are outstanding from the technology solution?

Management: So on technology and government business.

Niraj Chhajer: Another request or question is the result was published long back and now we are doing the earning call after such a long break. So going forward my request would be to do the earnings call almost next day or within the next week itself when you publish the results?

Management: Yes sure, sir. We'll do that. This is first time for us. So we're also getting used to the listing requirements. So definitely we'll take your input in the right spirit, sir. We'll do it quickly.

Niraj Chhajer: If you don't have that number offline, you can send me offline also that's also possible.

Management: Yes.

- Niraj Chhajer:** Thank you.
- Management:** Maybe we can share that with you sir.
- Moderator:** Thank you. The next question is from the line of Nalin Singh from FinViz Capital. Please go ahead.
- Nalin Singh:** Hello sir. A couple of questions. First one is regarding the subsidiaries we acquired in North America, can you give some outlook on what is the outlook for that subsidiary and what is the total order book for that subsidiary?
- Sheshadri Srinivas:** Can you repeat? I think your voice is a little breaking in between.
- Nalin Singh:** Sir my question was regarding the subsidiaries we have acquired in North America. Can you please give us an outlook of that subsidiary and what are the plans for that subsidiary and what is the total revenue and order book for that subsidiary?
- Sheshadri Srinivas:** Sure. As I mentioned this target company is based in North America and they're into IT services business. They are in the business for the last 20 years and we are acquiring the majority stake into this company, and they are a profit-making company, and their health looks pretty, and the company health looks pretty positive. The traction is on the BFSI and healthcare pharma customers.
- So they have pretty large enterprise logos which they've been serving for the last many years more than 10 years they've been serving in this BFSI segment. So that is a strategic that helps us to penetrate the BFSI pharma and healthcare. They kind of around USD15 million is the kind of turnover they did it last year and they're growing year-on-year. So, we are taking a majority stake in that company.
- Nalin Singh:** Okay. So, the current one-third of the order book which we have, that includes the order book of the subsidiary as well, or is it only the parent company?
- Sheshadri Srinivas:** No, this does not include that one.
- Nalin Singh:** All right. Can you give us a of the break-up of what is the execution timeline of the INR420 crores order book we have?
- Sheshadri Srinivas:** So, some of them are three-year contracts which we have signed. So, if you have really followed the news recently, we got into a contract with one of the healthcare companies in North America for their complete, you know, the cloud transformation and supporting a lot of their cloud applications and migrating their entire product into a different tenant. So, that's the kind of contract that we signed and that's for three years. So, most of these, you know, the kind of order book that we have, runs for the next three to four years.
- Nalin Singh:** All right. Thank you. That's all from me. I'll join back the queue.
- Moderator:** Thank you. We have the next question from the line of Sanjay Parekh, an individual investor. Please go ahead.

- Sanjay Parekh:** I have one question regarding the water treatment as government is more focusing on water management and all. So, are we going to focus more on that from now on?
- Sheshadri Srinivas:** Thanks, Mr. Parekh. So, as I said, you know, the revenue split is 65% and 35%. So, to this tune, definitely, you know, we focus and then, you know, continue our business line in both of these segments. So, there's no, the extra focus given to just the water resource management. As I also mentioned, we have decided to participate in good tenders this year and we've already started participating in two to three tenders and then, you know, it is still under progress.
- But the focus, definitely, if you look at water resource management, it is within India, right, because, you know, we work with government bodies. So, if you want to really go outside the country, there are a lot of statutory requirements before participating in any of these tenders. So, with that, it also throws a lot of challenges on us if you want to really expand outside the country. But within the country, we are very much focused, and we want to participate in good tenders and, you know, win good orders.
- Sanjay Parekh:** Okay. Because now, all over the world, the water shortage, water problem is there. So, it will be a good opportunity for our company going ahead. I think so.
- Sheshadri Srinivas:** Definitely, definitely, Mr. Parikh. I think that was a very valid one. And the government is also quite promising on the investment side in this water resource business. And definitely, we want to liberate that. That is the reason we have been continuously investing on our solution at DSS, the decision support system and enhancing the solution so that, you know, we become one of the leaders in this space. The focus is quite strong in water resources, and we continue to do that.
- Sanjay Parekh:** Okay. Thank you, sir.
- Moderator:** Thank you. The next question comes from the line of Pranav Shrimal from PINC Wealth Advisory. Please go ahead.
- Pranav Shrimal:** Yes. Sir, I had a couple of questions. What could our margins be in the government business? In the water management business?
- Sheshadri Srinivas:** Anywhere between, you know, 22% to 28%.
- Pranav Shrimal:** That is the EBITDA margin, right?
- Sheshadri Srinivas:** Correct.
- Pranav Shrimal:** Okay. And we apply through tenders.
- Sheshadri Srinivas:** Correct.
- Pranav Shrimal:** And so, I just want to get an understanding of how big is the market and are we trying to expand towards, let's say, dams and give them more resources and not just the flood warning system, but above from that, where else can they efficiently use their water in the irrigation base, in the dam base process, in the weather department?

Sheshadri Srinivas: Definitely. I think, you know, the market is pretty huge. According to the census and the government data, what is available in public, you have around nine crores' hectares. And each hectare, you need about 32,000 to modernize the channels, right? So, if you look at even 50% of the total market availability, it is about INR50,000 crores. That is the kind of market traction that you could imagine at 50%, what I'm saying, because most of the channels or the dams are, you know, pretty old.

I mean, it is probably 25, 30 years old channels. So, they're modernizing all of this. And that's 50,000 is the market opportunity that we have. That is huge, I would say. And this is what answers your question.

Pranav Shrimal: And do we face any competition in this market?

Sheshadri Srinivas: Definitely. I think, you know, any market you would have. And we are also pretty competitive when it comes to our own solutions. And then, we have the best domain knowledge available in the market. So, with that, we are able to win the tenders and we are able to execute, and we are able to collect money from the government today.

Pranav Shrimal: And when should we start the water business? How long has it been?

Sheshadri Srinivas: It has been last, I would say about 14, 15 years now.

Pranav Shrimal: Okay. So, do we have some experience and a qualified team there also?

Sheshadri Srinivas: Definitely.

Pranav Shrimal: So, for how many projects have we applied? For how many tenders have we applied at the moment? And what was the conversion ratio?

Sheshadri Srinivas: It's a very tricky question. Can I comment on the conversion ratios and the overall number of tenders that we are going to participate? But definitely, we look for good tenders and where we know we can add value. Because ultimately, if you look at the value addition, right? So, the end users be it, you know, the farmers or the industries will get benefit from the kind of data and the process that we follow.

And also, if you look at the flood monitoring, right? So, again, it is very close to the human eyes because we are helping largely the human base by giving these alerts and asking them to relocate to a safer location. So, it is very close to our hearts as well. So, that way, we want to participate in good tenders where we can add a lot of value to the chain. So, we need keep looking for good tenders like that.

So, we see a lot of tenders coming this year from the kind of research that we have done and the kind of investments from various state governments, especially, you know, the water resource management projects. And our PM mentioning quite a lot on the Jal Shakti programs. So, we see a lot of good tenders floating. And we want to pick up which suits our terms. And also, as I said, wherever we can add more value. But rest assured that we want to participate on a good number of tenders.

- Management:** Also, to add to Sheshadri information, we have become kind of choosy because the older payment terms are 40-60 as Raman explained. So, we are participating in tenders which have good payment terms like 65-35, 75-25. So, we have become choosy in terms of selection of tenders with the payment terms.
- Pranav Shrimal:** Okay. And one last question. How many projects have been completed till now? In water resource management? Sir, in the water business, how many projects have been completed till now?
- Management:** Around 18.
- Sheshadri Srinivas:** 18 projects.
- Pranav Shrimal:** 18. Got it. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Nitin Verma, an individual investor. Please go ahead.
- Nitin Verma:** Okay. Sir, I want to ask if you could provide guidance on FY '25 and FY '26 numbers, if any.
- Sheshadri Srinivas:** Yes. I think I cannot talk anything on the forward-looking. But the order bookings, what I discussed, shows a promising figure. And the kind of acquisition coming in the near future that adds up quite a lot to both the top line and the bottom line. So probably, you can extrapolate the numbers with the order booking what I shared. But definitely, I cannot talk on the forward-looking numbers.
- Nitin Verma:** Okay. And can you please tell, how is the order book? I mean, where you are L1 right now. We can see more order books getting you are filling the tender. So there must be some L1 or L2. So in what tenders you are L1?
- Sheshadri Srinivas:** L1 and L2 are decided when they open the bid. See, there are two ways. One is the technical qualification. The other one is the commercial qualification. So generally, when they open the technical qualification and they see that okay, we qualify. And then they push the provider to the commercial qualification.
- So that's how the tender process works. Yes, we have been -- as I said we try to participate in more tenders. But you will not be able to tell whether we are in the L1 or L2 because the system works like that. So they open and they announce whoever is the L1 and they show the orders to us. And then we have to sign and then pick it up.
- Nitin Verma:** Okay. And then last question. Are we going to maintain the pack margin in the coming years? Or we are going to improve? Or how are they going to be if you can tell this?
- Sheshadri Srinivas:** Yes, we always hope to maintain or grow and then have the upward trend. So we look forward to that. But definitely it's all driven by the market conditions and the investment plans that we have on cards. Yes, if you look at the last four years trend it has been increasing or at least maintained at the same level. So we wish to look forward to maintain the same trend.

- Nitin Verma:** Okay, thank you. Wish you good luck. Thank you.
- Moderator:** Thank you. The next question comes from the line of Sanjay Parekh, an individual investor. Please go ahead.
- Sanjay Parekh:** Hi, sir. Sorry to disturb you again. Is there any contact number if I have any questions to ask? So going forward can any person, can I contact? Can you provide?
- Sheshadri Srinivas:** I think if you can reach out to our company secretary, she can definitely be able to help setting up a call. And the company secretary's number and the email address is available on our website. So you can definitely reach out and she can definitely help setting up a call with the concerned person.
- Sanjay Parekh:** Okay, sir. Thank you. And all the best.
- Sheshadri Srinivas:** Thanks, Mr. Parekh.
- Moderator:** Thank you. The next question is from the line of Bhujanga Bhushan, an individual investor. Please go ahead.
- Bhujanga Bhushan:** Sir, okay. Thank you for your very good presentation and future guidance. So in this regard, I have one question regarding water resources management and this, you are in a canal and other warning system of the floods and other things. So now this theme is going to be very big in future. Some of our colleagues have asked the question regarding this water management. So this, my question in this is whatever the wastage of water in public distribution system and bore wells now being dried up and where the water is getting wasted and how it is to be managed and recycling of water also.
- Is there anything you are having R&D system to expand in this and guide the government and other water management systems? So this is very big business in the future like salination, desalination of water and like that way.
- Sheshadri Srinivas:** Yes, I think it's a good suggestion and thanks for that. We are evaluating ourselves in various other water resources management where we can really expand. Definitely we will consider your reports and we will see how we can expand. Yes, definitely. It's a good input. Thanks.
- Bhujanga Bhushan:** Because this is basically, I am civil engineering master. So this is very good. This is going to be gaining very big importance in the future because whatever the water is coming from rain also there is a lot of wastage of water. So then where the -- at which points the water is getting wasted and where the leakages are there and where you can reach out nearby excess water, surplus water to where the water shortage is there.
- All these things, if you connect with the system your software system and other thing and you can make a big survey report and other thing and suggest to the government and other local water bodies either in India and all over the world. Because this is a very important subject. That's why I think you can explore maximum to gain this. This will be the unique to or something

you will have a very niche segment in this. Your company may get very good revenue and other things with this. So this is my sincere suggestion. You can explore to the maximum extent.

Sheshadri Srinivas:

So definitely. Thanks. Mr. Bhushan Appreciate that.

Moderator:

Thank you. The next question is from the line of Manav Kothari from Umang Finvest. Please go ahead.

Manav Kothari:

Okay. Good evening, sir. Congratulations on a good set. I wanted to ask out of the INR123 crores order book, how much is to be booked for the first year? For FY '25?

Sheshadri Srinivas:

Yes. Thanks, Mr. Kothari. See, INR123 crores in that one of the 3-year contract, what we have is over INR100 crores and about 25% of that would be for this years. And about 35% next year and about 40% on the third year. So, that's how the booking goes. Then we also have other contracts which are added up to that.

Some of the contracts we can realize up to 65% this year and then it goes 20% and then the 15%. And then the small orders which we get it, we tend to realize 100% this year only. So, generally what we do is there are like annuity business or multi-year business that we sign up. So, that generally is not equally distributed.

It is anywhere between, first year 30% and then second year it will be again 35% and then the rest will be in the third year. But with the small and the medium contracts, small contracts, we generally tend to realize 100% of the same financial year until unless, we book end of the financial year. And then it gets shifted to the following year. And the medium-sized contracts, we generally book it at, 60%, 40%. So, 60% can be realized. So, if that answers.

Manav Kothari:

Thank you for this understanding, sir. So out of FY'24, INR78 crores we booked. So, how much of that is a small contract?

Sheshadri Srinivas:

So the split is, as I mentioned, it is 65% and 35%. 65% of the revenue comes from the solutions business, IT solutions. 35% from the water resource. Out of that 65%, we have about 40% of that is an annuity business. So, that's a year-on-year contract. And another 30% is a medium-term contract, which runs for 18 months or 24 months. And the rest around, 25%, 30% of the small contracts that we sign up.

Manav Kothari:

Thank you so much. This is a very direct response to Mark. Thank you so much.

Moderator:

Thank you. The next question is from the line of Pranav Shrimal from PINC Wealth Advisory. Please go ahead.

Pranav Shrimal:

Yes. So, I would like to ask, what will the capex be for this years and coming years?

Sheshadri Srinivas:

Sorry, Mr. Shrimal, can you repeat that?

Pranav Shrimal:

What will the capex be for this years and coming years?

Sheshadri Srinivas:

Capex requirement. Is that what you're asking?

Pranav Shrimal: Yes, sir

Sheshadri Srinivas: Yes, can you please repeat the question.

Pranav Shrimal: Sir, capex how much are we going to put in capex this year?

Sheshadri Srinivas: Yes, see. How much you're allocating? I think that INR11.2 crores. For 3 years. So, that is the thing. So the next three. And solutions development. And infrastructure. INR9 crores for infrastructure for next 2 years and INR11 crores for solution development for 3 years.

Pranav Shrimal: Could you please repeat sir, your voice is not clearly audible, could you please repeat?

Sheshadri Srinivas: See INR9 crores for infrastructure okay for the next 2 years and then INR11.2 crores for the next 3 years for solution development.

Pranav Shrimal: What? 11.24 what?

Sheshadri Srinivas: Development of solutions.

Pranav Shrimal: Okay, what a solution and this is like a one-time capex, or will we keep on investing in the capex?

Sheshadri Srinivas: Hello?

Pranav Shrimal: Sir, I am asking is this a one-time capex or is this a recurring capex?

Sheshadri Srinivas: I am unable to hear.

Management: That should be a recurring one.

Pranav Shrimal: Recurring.

Management: Correct. That's right.

Pranav Shrimal: Thank you.

Moderator: Thank you. The next question is from the line of Manav Kothari from Umang Finvest. Please go ahead.

Manav Kothari: Hello sir. Sorry to disturb you but just provide a transcript of this call if possible.

Sheshadri Srinivas: Sure.

Manav Kothari: Thank you.

Moderator: Thank you. The next question comes from the line of Rohit Priyadarshi, an individual investor. Please go ahead.

Rohit Priyadarshi: Sir, my question is on the software part of business. We are doing Digitalization, Modernization and Cloudification, right? So, there are similar other players that are doing this business. So, I

want to just understand what is the differentiated factor for us? Do we have any specific strategy, or do we have any strategy in mind too, to retain the clients or something like that?

Sheshadri Srinivas:

Yes, definitely. Thanks, Rohit. So, if you look at the differentiating factors, right, we are in the business for the last 34 years. So, we ourselves suicide Nala Sopara Technology evolution. So, I myself have written code in and then today if you look at the kind of AI technology what is available, it has gone, undergone multi-fold changes, right? So, we being in the industry and seeing these kind of changes.

So we know how the real application, the infrastructure, the database, the UI, everything works. So with that, what we have done is we have built quite a lot of frameworks which can really be used. If you go to any, the so-called the startups are probably the recent companies who talk about the digital transformation and so they end up, if you want to really modernize, they end up rewriting the entire application, which is not the case customers are looking at.

So we have frameworks which can analyze the existing code base, which can really recreate all the logic of the business rules, what are written in the existing legacy applications. So those are the advantages. If you look at the cloudification as well, we have the tool where you can reduce your capex up to the tune of 25%, so it can identify all the gaps or the leakages.

Today, any application which goes on cloud, it is monitored, the leakages are pretty heavy, and it hits the capex business, right? So if you look at the framework, what we have, it goes and sits on the cloud environment, it identifies the gaps, it identifies the leakages and it pinpoints if you can address these leakages, it can save to the tune of 20%-30%.

So those are the frameworks that we use and the legacy systems, what we have seen, and the kind of the R&D team, what we have. So these are some of the differentiating factors that we showcase for our competitors.

Rohit Priyadarshi:

Sir, I also want to understand the split of segment revenue in the IT software business, like what is the percentage that is there into domestic and foreign, if you can provide that?

Sheshadri Srinivas:

In the IT business, about 40%-45% of the, but yes, 45% of the business is our export and around 55% is domestic.

Rohit Priyadarshi:

Okay. Thank you, Sheshadri. One last question is like in the water irrigation systems, how are we, like, what is the overview, like how many contracts are we getting or is the government really interested in giving out the contract? So how is the outlook on the irrigation system, water segment basically?

Sheshadri Srinivas:

So there's a lot of traction. Every government, every state government, they're betting huge on the water resource management, and they have one state projects and also, they have the funds from what we call it as the ADB or the Asian Development Bank and there are different bodies also available. So there are a lot of opportunities available.

And if you were there a few minutes back, Raghu was also mentioning. So we want to participate in tenders, which are really fruitful to us. So we have changed our terms as well now.

And we want to participate in tenders with what we call it as the SITC, right? So if the SITC phase is about 75% upfront we want to participate in such tenders. So that way it is in alignment with our vision. We see a lot of tenders coming out this year and after a lot of discussions with the internal systems. So we want to keep watching and participate in tenders, which are fruitful to us.

Rohit Priyadarshi:

Thank you so much for answering and all the best.

Moderator:

Thank you. The next question is from the line of Simar from Negen Capital. Please go ahead.

Simar:

Hi, my question is like, you will be acquiring the company based out of North America and you said the revenue of this company is around USD15-USD16 million. Assuming it's a service-based company, the valuation will be, as per my understanding, at least one to two times of revenue. And considering you are acquiring the majority state of the company, so in Indian rupees, somewhere it will cost at least INR60, INR70 crores for the acquisition of such company. So how are you going to get this thing financed?

Sheshadri Srinivas:

I think valuation, I don't want to really say any number right now because we are going to disclose post acquisition. How we are taking care of the funds, definitely there are multiple reasons. One we are also planning to raise some debt to acquire this. And also, we have some internal accruals. And also, as you have noticed, we have also called for the warrants issue in the recent times.

We are raising warrants up to the tune of around INR10 crores. So there are requirements. One is to acquire the company and also you need some capital to run the show for some time so to expand. So we are planning internal accrual plus debt plus these warrants. So we plan to clear all of these and then take care of this acquisition.

Moderator:

As we have no further questions, I would now like to hand the conference over to Ms. Anita for closing.

Management:

Yes. One minute. I would like to answer Neeraj's question. So who had asked about the outstanding.

Moderator:

Yes, go ahead, sir.

Management:

Yes. So out of the INR64 crores outstanding, INR12.86 crores is from the software and the rest is from the water resource projects. Out of that INR12.86 crores, almost INR12.5 crores is less than six months in software.

Moderator:

Thank you. Ms. Anita Balagopal, over to you for the closing comments.

Anita Balagopal:

Thank you all for joining us today. We really appreciate your time and the insightful questions that were discussed here. I think it's been an overall very productive session, and we hope you found it valuable as well. As Shesh mentioned, at Canarys, we are committed to driving innovation and delivering bespoke solutions that help our clients achieve their goals. So our



dedication to digital transformation and water resource management and our inclusive and positive culture, it really sets us apart in the industry.

We are always grateful for our continued support and the trust of our investors, our clients, and our team members. A special thank you to our featured representatives, Mr. Raman Subba Rao, Mr. Raghu Chandrasekhar and Mr. Sheshadri Srinivas for the insightful contributions today. We look forward to the future, remaining focused on leveraging our expertise and innovative solutions to drive growth and success for our clients and to our stakeholders as well.

Thank you once again for your active participation. Have a great day and we look forward to connecting with you in our future sessions. Over to you, Robin.

Moderator:

Thank you. On behalf of Canarys Automations Limited that concludes this conference. Thank you all for joining us. You may now disconnect your lines.