



A Navratna PSU

RailTel/Sectt/21/SE/S-16

Date: November 07, 2024

लिस्टिंग विभाग, नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लिमिटेड, 'एक्सचेंज प्लाजा', सी-1, ब्लॉक जी, बांद्रा - कुर्ला कॉम्प्लेक्स, बांद्रा (ई), मुंबई - 400 051 Listing Department, National Stock Exchange of India Limited 'Exchange Plaza', C-1, Block G, Bandra - Kurla Complex, Bandra (E), Mumbai - 400051 Scrip Symbol- RAILTEL	कॉर्पोरेट संबंध विभाग, बीएसई लिमिटेड, रोटुंडा बिल्डिंग, पी जे टावर्स, दलाल स्ट्रीट, किला, मुंबई - 400 001 Corporate Relationship Department, BSE Limited, Rotunda Building, P J Towers, Dalal Street, Fort, Mumbai - 400 001 Scrip Code- 543265
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Sub: Outcome of Analyst/Investor Group Conference Call held on Wednesday, 30th October 2024.

Ref: Our Letter of Even no. dated 25/10/2024, 28/10/2024 & 30/10/2024.

Dear Sir/Madam,

In reference to our above referred communication regarding Analyst/Investor Group Conference Call, we are forwarding herewith the transcript (duly signed by CIRO) of the Analyst/Investor Group Conference Call held on Wednesday, October 30, 2024, organised by M/s. Antique Stock Broking Limited.

2. This is submitted for your information and record.

धन्यवाद,

रेलटेल कॉर्पोरेशन ऑफ इंडिया लिमिटेड के लिए

जे. एस. मारवाह

कंपनी सचिव एव अनुपालन अधिकारी

सदस्यता संख्या – एफ सी एस 8075

संलग्न: ऊपरोक्त अनुसार

वितरण:- 1) सहायक कंपनी सचिव को फाइल में रखने हेतु।

2) सहायक महाप्रबंधक/पी.आर.ओ.को वेबसाइट पर अपलोड करने हेतु।

रेलटेल कॉर्पोरेशन ऑफ इंडिया लिमिटेड (भारत सरकार का उपक्रम)
RailTel Corporation of India Ltd. (A Government of India Undertaking)

CIN : L64202DL2000GOI107905

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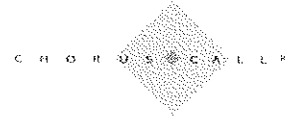
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“RailTel Corporation of India Limited Q2 FY-25 Post Results Conference Call”

October 30, 2024



MANAGEMENT: **MR. SANJAI KUMAR – CHAIRMAN AND MANAGING DIRECTOR**
MR. V. RAMA MANOHARA RAO – DIRECTOR (FINANCE)
MR. MANOJ TANDON – DIRECTOR (PROJECT), OPERATIONS & MAINTENANCE
MR. H.C. BATRA – SPECIAL ED FINANCE, RAILTEL CORPORATION OF INDIA LIMITED.

MODERATOR: **MR. VISHAL PERIWAL – ANTIQUE STOCK BROKING.**

Moderator:

Ladies and gentlemen, good day and welcome to the Post Result Q2 FY25 Earnings Conference Call of RailTel Corporation of India Limited.

As a reminder, all participant line will be in listen only mode, and there will be an opportunity for you to ask question after the presentation concludes, should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vishal Periwal from Antique Stock Broking. Thank you and over to you sir.

Vishal Periwal:

Thanks, Sejal. And good morning everyone. Welcome to Post-Result interaction with the management of RailTel.

From the Management Team we have with us Mr. Sanjai Kumarji, who is the Chairman and Managing Director, Mr. V. Rama Manohar Raoji – Director (Finance), Mr. Manoj Tandon ji – Director (Projects, Operation and Maintenance) and Mr. Batra, who is the Special ED Finance.

As usual, we will have "Brief Overview" from the Management on the gone by quarter, and then we will have lines open for Q&A. Sanjai sir, over to you.

Sanjai Kumar:

Thank you, Vishalji, and a very good morning to all and a very Happy and Prosperous Diwali. It gives me great pleasure to interact with you on the Company's performance in the backdrop of Q2 Financial Results for FY25 which were declared by the Company on 28th October 2024.

The Company declared an interim dividend of Rs.1 per share. The Company achieved operating revenue of Rs.844 crores in Q2 of FY25 as against Rs.558 crores in Q1 of FY25 registering the Q-o-Q growth of 51%. The telecom segment contributed Rs.338 crores and project segment contributed Rs.506 crores in Company's operating turnover. The total revenue of the Company during Q2 of FY25 was Rs.863 crores, as compared to Rs.613 crores in Q2 of FY24 with year-on-year growth of 41%. The profit before tax in Q2 of FY25 is Rs.94 crores as against Rs.67 crores in Q1 of FY25 registering a Q-on-Q growth of 41%. The profit after tax in Q2, of FY25 is Rs.73 crores as against Rs.49 crores in Q1 of FY25 registering Q-on-Q growth of 49%. Earnings per share in Q2, of FY25 stand Rs.2.26 as against Rs.1.52 of Q1 of FY25 registering a growth of 49%. Earnings per share in the first half of FY25 stand Rs.3.78 as against Rs.3.32 of first half of FY24 with year-on-year growth of 14%.

The Company achieved a total income of Rs.1440 crores in H1 of FY25 against Rs.1096 crore during the corresponding previous year, with year-on-year growth of 31%. Profit after tax during H1 of FY25 is Rs.121 crores as against Rs.107 crores in the corresponding period of previous

year, registering a year-on-year growth of 13%. This year marks an important milestone for us. While we are celebrating 25th Year of our journey, we have proudly achieved the prestigious Navratna status joining the elite group of PSUs. We remain committed to pursuing growth and creating value for our esteemed investors. We are also exploring new opportunities in order to realize our true potential.

I thank you for your trust and collective vision for the future of this Company. Thank you.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.
- Sanjesh Jain:** I got few questions. First, on the order book side, where do we stand today in terms of the project order book for the quarter ended September and any progress on the opportunities on the railway side, on the KAVACH and LTE, which has materialized?
- Sanjai Kumar:** Yes, so your first question is order book value, we stand at 5254 crores today. When we talk of railway side orders. So, we are getting success in signaling works. On KAVACH side if I speak, so we did not participated in the last station loco KAVACH tender because we had some doubts about the readiness of the product of our partner, and we are still in discussion with the partner whether his products will be ready by the time it is required. So, though it is a big kitty, but we are cautious at the same time, because this is a new product, and it is still under testing and all those things, therefore we decided as a Board that we should not be in hurry. That is why we have not gone into recent tenders. But, there are tenders still, and we are continuously tracking and making rational decisions to participate in these tenders.
- Sanjesh Jain:** Fair enough sir, that's very clear. We also hinted that we may look at other partners in the previous call. Is that something we are pursuing along with the quadrant partnership?
- Sanjai Kumar:** Yes, certainly because you don't know the industry, when product is not yet approved, you have to continuously explore other opportunities also.
- Sanjesh Jain:** So, that effort is ongoing, but again we have not closed any other partner along this quadrant as of now?
- Sanjai Kumar:** Not yet.
- Sanjesh Jain:** Second on the project business margin, at the EBIT level this quarter had 3.4% margin, which is lower than what we have earlier guided, and our performance has been consistently over 7% if I look at past few years, any reason why there is a sudden dip, or this is just a transitory thing and you still play for the full year, we will be able to do EBIT margin?

- Sanjai Kumar:** So, thank you for this question, because this question might be there in other investors mind also. See, this pertains to the orders which we received last year. And it is a transitional you can say, and we got few orders last year which were really very low margin, but again since they were there and the efforts required to implement those orders were also not that much. So, we took some orders which were low margin, and in this quarter particularly, we have few such orders which were basically which brought revenue. So, that is the reason otherwise, we have become wiser to choose the margins and choose the projects. And I am sure that 5% to 6% of our guidance in project, we will continue to remain in that bracket overall basis.
- Sanjesh Jain:** Very clear, sir. My third question is on the growth guidance what we shared in the previous quarter, we said that we want to grow revenue by 30% and profit by 30%, revenue we are probably ahead of our guidance, but on the profitability side we are significantly lagging versus guidance. How do you see second half of this year, we will be able to make some of the shortfalls of H1 and H2?
- Sanjai Kumar:** So, again very pertinent question. See, because Q1 was slightly muted because of elections and all those things, if you see H1 is certainly gives you better and moderated picture. And I have been telling earlier also, we being not a big revenue numbers Company. So, overall, when we see on a yearly basis, I still have the same guidance, which I have been maintaining on profitability and revenue as far as concerned.
- Sanjesh Jain:** Great sir. Just one last book keeping question, can you give the revenue for all the three segments for this quarter?
- Sanjai Kumar:** So, you are talking of telecom and project revenue?
- Sanjesh Jain:** Telecom breakup, NLD.
- Sanjai Kumar:** Okay. So, telecom revenue-NLD, 159 crore this quarter, with a year-on-year growth of 8%. ISP revenue 111 crores. So, you might be seeing that there is no growth if we compare with the last year-on-year Q2 of FY24 but there is one transactional, one-time event last year if you remember G20 was there, and we were the very, we had a very good amount of revenue from G20 last year. So, that is the one reason you might be seeing, otherwise also ISP because of pressure on tariffs, the revenue growth is not translated from the number of subscribers. So, you can see this and IP-1 also this year 64 crore. This is all about the telecom revenue segments.
- Sanjesh Jain:** Very helpful sir. Any further development of the data center you want to share?
- Sanjai Kumar:** Data center, the progress from our edge data center side, the partner is continuously and making good progress since last quarter when we made agreement and all that. So, we are hopeful that

by end of this financial year we should have some data centers, four to five edge data centers in place.

- Sanjesh Jain:** And what will be the total capacity of this four to five data center?
- Sanjai Kumar:** This will be a very small capacity, because these are small edge data centers out of those 102 edge data centers which we are planning to have pan India. And next year you should have better numbers, more numbers. If you see this can be 200 kilowatts.
- Sanjesh Jain:** Okay. So, 200 kilowatt in total, all 102 put together?
- Sanjai Kumar:** No, one data center 200 kilowatt, one each data center.
- Sanjesh Jain:** Okay, each will be 200 kilowatt and into 102 that will be the total?
- Sanjai Kumar:** Yes, but this will come up over a period of time.
- Sanjesh Jain:** How many years?
- Sanjai Kumar:** Starting now; it should take one and a half to two years to completely roll out the complete 102 numbers.
- Sanjesh Jain:** Sorry sir, I did not get what the time frame is?
- Sanjai Kumar:** So, starting now, it should be year and a half to two years.
- Sanjesh Jain:** Okay, 18 to 24 months, all the 102 should be up and running?
- Sanjai Kumar:** Yes.
- Moderator:** Thank you. The next question is from the line of Harshit Nagpal from Yes Securities. Please go ahead.
- Harshit Nagpal:** Sir first question on, if you could give the breakup for railways and non-railways to the order book that we have, and the second one on your guided around 3300 crores of revenue. So, we are maintaining that, or do we think we can do better considering the quarter performance of slightly better than 30%?
- Sanjai Kumar:** So, your first question, we have railway project order book around 14% to 15% of the total, and remaining is of course non-railway, including telecom project business also. Second question, I just immediately preceding I told that we are maintaining the same because this quarter is

somehow, somewhat has made up for the lesser number in the previous quarter. So, I am not intending to change any growth guidance.

- Harshit Nagpal:** Right. And sir one more thing, the expenses on projects this quarter were up by 121% year-on-year, is there something unusual there or is it because the top line has also grown, that's why the expenses are there?
- Sanjai Kumar:** So, as I told you, that in the preceding investors question also that, there were one or two projects which were low margin means more expenses. So, that will certainly reflect in more expenses. In this quarter, we have executed few projects which were low margin, very low margin, and which were, actually orders were received last year, and now we are more careful in choosing low margin projects and the type of projects also.
- Moderator:** Thank you. The next question is from the line of Vishal Periwal from Antique Stock Broking. Please go ahead.
- Vishal Periwal:** Just a couple of clarification, in a revenue side, on a project revenue side can you also give a breakup between Indian railway revenue and others?
- Sanjai Kumar:** Yes. So, this quarter we have done 104 crore from Indian railways, and 402 crores from other than railways.
- Vishal Periwal:** Right. And sir is there margin between these two segment varies significantly, or one can take the same 4%, 5% kind of margin?
- Sanjai Kumar:** Railway projects certainly have slightly better margins in comparison to non-railway but recently, we have started taking project business through tenders also. So, margins are pressure, and railway business also in future will certainly impact our margins in railway business to certain extent, because the project business through tender, earlier we were having a nomination tender work which were under execution. But we will again, I will impress upon the same thing, that 5% to 6% is our guidance and that we will continue.
- Vishal Periwal:** Right. And, I know you did mention the order book break up between railway and non-railway. I just missed on that number, what percentage is railway in this 5200 Crores?
- Sanjai Kumar:** Railway is exactly to be precise is 22.63%, it is 1189 crores.
- Vishal Periwal:** Okay. And within this order book, is it like the pie from non-railway side is increasing or probably we are getting more orders, or you are seeing equal sort of opportunity in the railway side also?

- Sanjai Kumar:** See railway is one of the sector, one of the segment. So, it is certainly smaller one, therefore it is very natural that we get more orders from non-railways.
- Vishal Periwal:** Okay, got it sir. And in a P&L if we look at, we have this exceptional loss of 14 odd crore. Can you highlight from which segment, it is coming and expect coming more sir?
- Sanjai Kumar:** This is ECL only.
- Vishal Periwal:** Got it. And maybe one last thing, and then I will come back in the queue. Can you give some color on the Railwire, how the ARPU are, any benefit that we are seeing in terms of internal ARPU decrease which is there in the sector, any benefit that you are seeing, that's the last thing for me?
- Sanjai Kumar:** So, ARPU we are in the same range of 490 to 500, but the subscribers growth was slightly dwindling, maybe during election period also there was some pressure, basically impact on our subscriber numbers. Since we are operating majorly in, tier two and tier three towns, activities certainly get impacted in business also when we were in election so we are again now gaining momentum, and we are doing, innovating everything so that, because this is very low entry business, ISP business is very low barrier entry. And we have been raising this question with the Department of Telecom also, there are certain people, the ISP agencies, who are actually using some methods which are actually not as per regulatory norms. And they are also government of India, and TRAI and DOT are also doing their best to stop such things. So, they are actually very big hurdle in ISP growth. But we will not let this go, we will continue to innovate and mix our bouquet of offers, prepare in such a way so that subscribers stay with us and grow also.
- Vishal Periwal:** Right, sir. And what will be the number for us at the end of this quarter?
- Sanjai Kumar:** 5.69 Lakhs. So, we have grown from 5.65 lakhs in Q1.
- Moderator:** Thank you. The next follow up question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.
- Sanjesh Jain:** Couple of question again on the data center side of the business, you said that each of these data centers will be 200 kilowatt and total 102 data centers. What is commercial agreement between us and techno electric DC partners we have?
- Sanjai Kumar:** Your voice was cracking slightly, can you repeat?
- Sanjesh Jain:** Okay, I was interested in understanding what is the economics between us and the partner in the data center business?

- Sanjai Kumar:** I would really not be able to share this, because this is something the specifics of percentage share with any particular agreement may not be good to talk in such a forum.
- Sanjesh Jain:** What is the total revenue opportunity from all this 102 data centers, what is the total market size, what could be the growth beyond this 102 if you share those detail then that will be very helpful.
- Sanjai Kumar:** I would like to make some data collection for answering your questions. May not be in position right now, but yes, we have worked out, and we have lined up our marketing teams to explore the opportunities, as well as our data center partners also. But certainly it is, last time also it was somewhere around 80 to 100 crore business in the longer run. But right now, it won't be fair for me without really getting into the numbers and come again.
- Sanjesh Jain:** Got it. Just on the larger macro data center we have, what is the capacity utilization there and are we planning any addition, I know that we added one last year, any more plan on the macro data centers?
- Sanjai Kumar:** So, Noida data center which we are planning. We have closed our discussions with potential partners, and we are coming out again with the RFP/EOI. Last time that RFP could not succeed, because there were some new potential partners having some apprehension. So, we have now closed those apprehensions, and we are shortly coming out with the RFP again for Noida one. So, earlier we were planning that the 30-megawatt data center would come in one go. Now we have decided to begin with 10 megawatt, and then maybe we can scale up. So, that is how we are, RFP is likely to come very soon.
- Sanjesh Jain:** Got it. When should this be over in terms of tendering?
- Sanjai Kumar:** We should be closing during the current quarter we should be closing it.
- Moderator:** Thank you. The next question is from the line of Dhvani from Investec. Please go ahead.
- Dhvani Shah:** Could you give us some color on the margins that are expected?
- Moderator:** Sorry. You are not audible. I will request you to re join the que. Thank you. The next question is from the line of Viraj from Jupiter Financials. Please go ahead.
- Viraj:** Sir my question is related to the project expenses, this is gone up this quarter. What is the reason for that?
- Sanjai Kumar:** This is basically corresponding business expenditure to the project business. And there were some low margin business in this quarter which brought revenue. So, certainly, this is a repeat

answer I am again repeating, because of low margin business getting included in the revenue numbers so, that is corresponding expense, there is nothing special.

Viraj:

So, is it fair to assume your margins from the next quarter would be better?

Sanjai Kumar:

See our project business portfolio brings low margin business as well as good margin business. So, wherever in a quarter there is a low margin business getting converted into revenue, it is seen in a quarter as a more expenditure and a EBIT going down. But if you see on an overall basis over some longer period, longer duration say FY full financial year, then you will find that our margins will be between 5% to 6% only. So, that is how our project business portfolio is about. So, yes, in some quarters some low margin business is bringing the revenue, is getting converted into revenue, it will be seen as a more expenditure and low margin and all that. This is one off, therefore it will be quarterly you may see some variation.

Viraj:

Okay. And sir, my next question is, so what will be your revenue guidance for this year would be, and will we maintain 10% net margins, which we have been maintaining so far?

Sanjai Kumar:

It was somewhere between 9% to 10%.

Viraj:

Yes, 9.5%.

Sanjai Kumar:

Yes, so we should be there only 9% to 10%.

Viraj:

And what will be the revenue guidance this year would be FY25?

Sanjai Kumar:

30% growth guidance we maintain.

Viraj:

Year-to-year is it?

Sanjai Kumar:

Yes.

Viraj:

And any update on KAVACH?

Sanjai Kumar:

I have already given a detailed discussion on this, maybe you were not there.

Viraj:

Yes, I joined the call late, sorry for that.

Sanjai Kumar:

So, KAVACH, we have not yet started participating because our partners product was not yet ready. It was not yet approved, so we didn't want to jump in the queue and were not, we want to patiently watch the situation and then only bid. Otherwise, we might stuck in the project, and rather than bringing real profit, it might put in some trouble. So, that is why we are really

cautious, but we are taking very rational decisions in the interest of the Company. There are more tenders which are due for bidding this month November and maybe in December also few more, and we are deciding on participating in those tenders.

- Viraj:** So, what would be our opportunity size there in KAVACH?
- Sanjai Kumar:** So, opportunity size is, if you talk of now, it is close 1000 crore tenders would be coming in next five to six months.
- Moderator:** Thank you. The next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.
- Nitin Padmanabhan:** I wanted to check from the data center business perspective, in terms of tenancies on the edge and what you are trying to build overall, across those 118, 120 data centers you think over the next 18 to 24 months, where will the tenancies come from is it largely be driven by government, or will that be a significant driver or will private also be a larger chunk. How are you thinking about it, and relatively when you look at government versus private, how are margin profile?
- Sanjai Kumar:** See, in data center segment, when you talk of edge data center, so it is going to be a mix. Certainly, government is going to be there, but private players also we are in discussion with and because of some OTT players and all those video games and these things, we are in discussion with them. So, it is going to be a mix. As far as margins are concerned, margins certainly will remain the 8% to 10% only for us.
- Nitin Padmanabhan:** So, the data center margins will be in the range of 8% to 10% overall is what you are saying, got it.
- Sanjai Kumar:** That is what Yes.
- Nitin Padmanabhan:** Got it, that's very helpful. And the revenue potential you mentioned is 80 to 100 crores over once everything is set right over a period of time is the revenue potential?
- Sanjai Kumar:** Yes.
- Moderator:** Thank you. The next follow up question is from the line of Vishal Periwal from Antique Stock Broking. Please go ahead.
- Vishal Periwal:** Just a couple of follow up. In terms of data centers, the Noida one is something that we are doing on our own, and the edge is with the JV partner, is that right understanding?

- Sanjai Kumar:** No, so Noida also we are looking for a partner who will invest, and then we will manage those data centers. That is how it is, similar to other edge data centers it is almost similar.
- Vishal Periwal:** Okay, but the partner wise it will be different from the one which you have with edge?
- Sanjai Kumar:** Yes, yes. We are here to select. That size is and scale is bigger. So, there were some apprehensions from the potential investors. So, now we have corrected our RFP, and then it will come out shortly.
- Vishal Periwal:** Got it. And in terms of the existing the data centers that we have, what is the quarterly basis revenue profile will be?
- Sanjai Kumar:** So, this quarter, we have 27 crore from DC business, data center business. If you compare to the last year, it was 12 crores and if you compare to the last quarter it is 23 crore.
- Vishal Periwal:** Okay. And just as a reminder, what is the size of the existing one that we have, in megawatts?
- Sanjai Kumar:** So, it is around 2.5 megawatts.
- Vishal Periwal:** Right. And then, so any further development on the tower business side, anything that is happening or probably that can happen only post KAVACH?
- Sanjai Kumar:** What is your question, sorry.
- Vishal Periwal:** So, on the tower side, earlier there was a plan to put up a CAPEX, so probably Ministry will be putting up a CAPEX and we will have some bit of Revenue share?
- Sanjai Kumar:** No, actually you are talking about LTE. So, LTE tender is still, basically it is due in December, and we don't know whether it will be again postponed. But tower infrastructure is being created by railways, and we have bagged a few orders for construction of those towers in South central railways also. But, I wouldn't like to comment right now, because things are getting still finalized in the ministry on this.
- Vishal Periwal:** Okay, sure sir. And then on this cash flow front in this quarter we are seeing a bit of, receivables have been a little bit on the higher side, and operating cash flow is also a little bit negative. So, any particular segment from where it is flowing, or anything that you would like to give some color on this front?

- Sanjai Kumar:** Because of the Lok Sabha elections and all that. So, it takes some more time in election year because budgets are passed later on. So, because of that, maybe some that may be the reason otherwise there is nothing to worry about.
- Vishal Periwal:** Sure, sir. Only one last thing, in terms of KAVACH, though you have clarified a lot of data points, though we keep on hearing in the media like government plan to roll out. But in terms of tendering opportunity, not a similar thing probably we could see, even when you mentioned for the next five to six months, 1000 odd crore tenders will be there. So, tendering will pick up probably in the next year, or they are still working on it, from industry specific point, can you share something what would have been the status?
- Sanjai Kumar:** Actually, some new OEMs are also, like one of our partners also their product is not yet approved. So, maybe, we can't comment why railway is not coming all at once, but certainly they are preparing all individual railway units are likely to come with tenders.
- Vishal Periwal:** Okay. And as of now, these tendering which we have seen that is largely in one breakup KAVACH into multiple parts. So, this is for the between the loco and then at the station, that's what the ordering is happening. LTE is still not yet getting bided, is that fair understanding?
- Sanjai Kumar:** Yes.
- Moderator:** Thank you. The next question is from the line of Harshit Nagpal from Yes Securities. Please go ahead.
- Harshit Nagpal:** Just one more question on the order book, if you could give the breakup for how much is the tender and how much is government nomination as of the current order book?
- Sanjai Kumar:** So, out of this, if we talk of nomination is around 1250 crore, and tenders is around 4000 crores.
- Harshit Nagpal:** Right. Also, sir the total CAPEX that we are planning on, we have guided some 296 crore last year, is it the number same or has it changed?
- Sanjai Kumar:** Yes, it is the same.
- Moderator:** Thank you. As there are no further questions with this, we would now like to conclude the call. On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us and you may now disconnect your lines.