

RailTel/Sectt/21/SE/S-16

Date: February 08, 2023

लिस्टिंग विभाग, नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लिमिटेड, 'एक्सचेंज प्लाजा', सी-1, ब्लॉक जी, बांद्रा - कुर्ला कॉम्प्लेक्स, बांद्रा (ई), मुंबई - 400 051	कॉर्पोरेट संबंध विभाग, बीएसई लिमिटेड, रोटुंडा बिल्डिंग, पी जे टावर्स, दलाल स्ट्रीट, किला, मुंबई - 400 001
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Scrip Symbol- RAILTEL	Scrip Code- 543265

**Sub: Outcome of Analyst/Investor Conference Call held on Thursday, 2<sup>nd</sup> February, 2023 - Transcript.**

**Ref: Our Letter of Even no. dated 31<sup>st</sup> January, 2023 and 2<sup>nd</sup> February, 2023.**

Dear Sir/Madam,

In reference to our previous communication dated 31<sup>st</sup> January, 2023 and 2<sup>nd</sup> February, 2023 regarding Analyst/Investor Conference Call, we are forwarding herewith the transcript (duly signed by CIRO) of the Analyst/Investor Conference Call held on Thursday, 2<sup>nd</sup> February, 2023, organised by M/s. IDBI Capital Markets & Securities 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)

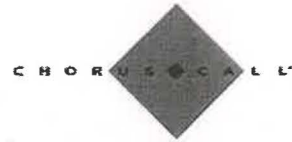
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“RailTel Corporation of India Limited  
Q3 FY '23 Earnings Conference Call”

February 02, 2023



**MANAGEMENT:** MR. SANJAI KUMAR – CHAIRMAN AND MANAGING  
DIRECTOR, OPERATIONS AND MARKET MAINTENANCE  
– RAILTEL CORPORATION OF INDIA LIMITED  
MR. RAMA MANOHAR RAO – DIRECTOR FINANCE  
**MODERATOR:** MR. VISHAL PERIWAL – IDBI CAPITAL





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**Moderator:**

Ladies and gentlemen, good day, and welcome to the RailTel Corporation Q3 FY '23 Post Results Earnings Conference Call hosted by IDBI Capital. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vishal Periwal. Thank you, and over to you, sir.

**Vishal Periwal:**

Yes. Good afternoon, everyone, and thank you, Melissa. I think, first of all, apologies for the slight delay that has been there in this earnings call, and we thank you for waiting by for this call. Now I'd like to welcome the management from the RailTel team. We have Shri Sanjai Kumarji, who is CMD and Director, Operations and Maintenance. And then we have Shri V Rama Manohar Raoji, who is the Director of Finance. And next Shri Rakesh Ranjanji who is the Director of Network Planning and Marketing. And as usual, we'll have a brief overview from the management on the gone by quarter, and then we'll have the lines open for everyone to ask their query. Yes. Thank you, sir, and over to you.

**Management:**

Thank you, Vishal. A very good afternoon to all -- and I also would like to submit my apology for a slight delay, and thank you for waiting for management to join. Mr. Rakesh Ranjan, incidentally is not available, Director network planning and marketing. That's one information I want to share with you. It gives me great pleasure to interact with you on the company's performance in the backdrop of Q3 results of the company with limited review by statutory auditor, which was declared by the company on 31st January 2023.

I'm happy to share with you that the company has declared interim dividend of INR 1.50 per share, which is 15% of the face value of the share. The company achieved consolidated operating revenue of INR 454 crores for Q3 as against INR 429 crores in the Q2 of FY '22-'23 registering the Q-o-Q growth of 6%. Consolidated income from operations for 9-month period ending 31st December 2022, stood at INR 1,260 crores against INR 1,083 crores in the corresponding period of previous year, registering an increase of 16% year-on-year basis.

RailTel posted profit before tax of INR 43 crores during Q3 of financial year of 2022-23. Profit after tax for Q3 stood at INR 32 crores. Our core EBITDA for Q3 stood at INR 72 crores against INR 70 crores in the corresponding period of last year, which clearly shows that our profitability in telecom business and project business remains intact with the reduction in profit mainly is due to expected credit loss provisions as per our accounting policy. Telecom business contributed turnover of INR 287 crores and project business contributed of INR 167 crores this quarter.

Despite steep competition in the telecom market, RailTel has been consistently making profit and growing year-on-year with good margin. In 2023, while we will continue to focus on solidifying our existing footholds in sectors like railway, coal, banking and defence. We are also







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exploring new ones like health, education, urban development and so. We are making continuous endeavour to enter into new sectors with artificial intelligence, IoT and other technologies with based new products and services, in addition to our existing products and services, which can help our customers become more efficient and gain competitive advantage.

In this line, RailTel has recently successfully executed automation projects for examination bodies like National Test Agency, NTA by providing ADHAAR-based biometric services for impersonation control of candidates and got order from Haryana Government, Navodaya Vidyalaya and JEE mains for credential checking of aspirants. We are in discussion with more potential customers for bigger projects for this line of business. Cyber security, we have identified as a new potential area where we have started strategizing to make our business case.

RailTel has recently received a work order for design, development, supply, install, test and commission and O&M for five years for integrated command control center and associated activities for Puducherry city. And recently, yesterday only, we have bagged another big ticket order from State Bank of India. The company is actively working towards successful execution of video surveillance system of Indian Railways project with finalization of contracts and major part of Nirbhaya work under this project is likely to be completed during the current financial year.

We are continuously striving to partner and handhold our customers in their digital transformation journey. We understand the need for network upgradation, hence we are heavily investing in network expansion and upgradation. We are focusing on developing assets and have initiated process for setting up of 100 edge data centers in various Tier 2, Tier 3 cities and 5,000 tower infra in various railway premises to PPP mode. We are also working on asset monetization and have initiated process for monetizing our station Wi-Fi project, which is spread across 6,108 railway stations along with partner consortium.

This is going to generate good revenue for us by monetizing through targeted advertisement and extending multimedia infotainment services for railway passengers. We intend to play a significant role in modernizing train control to execution of coverage and implementing LTE based high speed mobile communication corridor for Indian railways. To expand our reach beyond border, we are also exploring international markets also in the areas where we gain expertise in domestic market. In these directions, we are already working to find partners and strategic joint ventures.

With the launch of 5G technology, India has entered into new era of modern communication. RailTel aims to leverage 5G technology in providing better services. Our infrastructure shall be an enabler in proliferation of 5G for voice and data for the users. RailTel is considering to set up more towers in partnership with industry along with its optical fiber backbone to enable 5G rollout. For our railway subscribers, we are continuously innovating and adding value to services by way of bundling and access to our station Wi-Fi hotspots.







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With a robust order book position and continued participation in high ticket tenders, we are confident about continuing the momentum of profit and growth in future. The management humbly acknowledges the trust reposed by the investors in the company and would like to assure you that the company is and will continue to strive to achieve new benchmarks in the current financial year and in the years to come. Thank you all.

**Moderator:** So would you like to begin with the question-and-answer session.

**Management:** Yes, sure.

**Moderator:** Thank you -- ladies and gentlemen, we will now begin the question-and-answer session. Anyone who is a taste telephone. If your questions have been answered and you wish to withdraw yourself from the queue, Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. To ask questions, you may -- we have the first question from the line of Viraj Mithani from Jupiter Financial.

**Viraj Mithani:** Yes. Good evening, sir. My question is about -- you talk about 5G rollout in cyber security. So can you expand on what can we do in cyber security? And what kind of work will we do there? And what will be the capital exit required for the 5G order, how would we finance and how will be done?

**Management:** yes, your first question is on 5G rollout. So we are not rolling out 5G ourselves, but we will play a role as an enabler for the other operators to basically proliferate their 5G availability. So along the railway track, we are already in the process of identifying a partner who will help us in erecting towers, which will be fiberized. And thereby, the mobile operators can roll out their 5G. So our sales are not there. That is one I think you satisfied. So cyber security, we will be providing security operations center as a service, so as a service to many of the government customers.

**Viraj Mithani:** So would you be partnering with someone because it's a very large field as such, so...

**Management:** Yes. This is actually (not audible) that's why I told that we are in the process of identifying various partners for cyber security. Also now cyber securities scope has actually enhanced. Now it is called as cyber-resilience not cyber security. So means you have to be ready, and you also assume that you are getting -- going to get compromised. That is the kind of situation is there in cyber resilience and cyber security. We are still (not audible) there are people who are approaching. Certainly, it is going to be a partner.

**Viraj Mithani:** Okay. And sir, like regarding 5G, I mean, will we get some sort of a rent with a partnership with railways or something like that on the using of towers No, that would be the business model or would be the business more...





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**Management:** No, 5G is not our business case per se. We are already there in IP 1 segment, and we are giving tower colocations, fiber connectivity. Let...

**Viraj Mithani:** Is to make money in terms of the revenues with sharing with the railways, -- is it something like that?

**Management:** No. See, if we are erecting our own towers, then we are not going to share any revenue with railways. We will be paying only license fee to the railways for the land we'll be using. Our thing is where an existing player where towers are there and along the railway track. We are sharing revenue with railways. Okay. So the...

**Viraj Mithani:** Capex should be done by railtel. Is that correct to think?

**Management:** Railtel or its partner..

**Viraj Mithani:** Okay. Okay. Sir, my next question is about RDN and COD. Can you give us a status on that? Like what -- where are we right now on those?

**Management:** See RDN and COD are the long-term business proposition. And we recently had some experience in COD. So after that, there are still some challenges, which we are still deliberating. So we are yet to finalize RDN, which is already opened. We could not evaluate it and finalize these things. We hope to get something in this quarter. And COD, we will decide afterwards this RDN has decided...

**Viraj Mithani:** Okay.

**Moderator:** Participants, if you have a question, you may let me know -- we have the next question from the line of Pratap Maliwal from Mount Intra Finance.

**Pratap Maliwal:** Congrats on the recent order. I just wanted to start with some data points regarding our railwire offering. What are the number of subscribers on the average revenue per user as of Q3 now?

**Management:** Yes. So regarding rail wire, I would like to give you a slight background. Recently, in fiber-to-the-home segment of broadband, there has been movement, dynamic changes coming up like IPTV and OTT kind of elements also getting bundled with the broadband connections. So in that kind of backdrop, we are also realigning our strategy and trying to compete in the market, yes, there is a lot of competition in this market. So we are also finding it difficult to increase the number of subscribers. We are retaining them at least. So we are in the final stages of strategy so that we can increase the numbers. As far as the ARPU is concerned, we are maintaining the ARPU in the range of INR 550.

**Pratap Maliwal:** Okay. Sure. Now recently, there was an article are that the Ministry of Railways has opened a telecom services to private players, allowing them to install towers on the land owned by





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railways so far this was reserved for railtel. So I just wanted to understand that now the tenders as from my understanding, would be open to private play. So what is the effect on us and can you provide some more detail on this incidentally...

**Management:**

So first of all, let me answer your first question that telecom services are not opened for say, only infrastructure like right of way along the railway tracks and land or space on the railway stations. These 2 Infra have been open to public, which was neither to available to railtel then on an exclusive basis. On this, I would say that railtel being in favorable position because we have been there, and we are already a railway company. So we command an upper hand, and we are sure that we'll continue to maintain as far as railway this optical fiber network on the railway track, say, 67,000 kilometers of network.

It's not so easy to lay cable along this track and maintain for this large amount of length in any short time given. That is one. Now come to the space on the railway station. Again, you have to basically coordinate with the divisions & zonal railways headquarters. So one has to actually approach this divisional headquarters for getting these permissions to get the land space and so on. I am of the opinion that RailTel will be still will be the basically major players in this sector continue to be. I'm not saying that the private players will not come, but railtel will continue to play a major role for towers and all...

**Pratap Maliwal:**

Okay. Sure. Now regarding our project revenues out of our INR 167 crores, what was the contribution of our railway out of the INR 167 crores of project revenue...

**Management:**

Railway project out of this was not much. Most of it was non-railway project around 155.

**Pratap Maliwal:**

So sir, regarding the execution..

**Management:**

Projects of railways, we are executing. And this quarter onwards, the results would be adding to the our top line.

**Pratap Maliwal:**

Okay. Sure. Now just regarding the railway demand in budget documents. So there are many heads of the railways regarding railway capex. So could you please tell the amount actually related to railtel. so we can understand how the financing from the government would be.

**Management:**

It has nothing to do with financing from Ministry of Railways or any other government. We are sustaining our projects ourselves. We are not taking any subsidy or anything from Ministry...

**Pratap Maliwal:**

Railway projects that they'll be doing that we apply for that we carry out. So in which heads of capex for the railways do we fall into so we can get an idea of that?

**Management:**

Actually, There are many projects wherein, RailTel will have like signaling projects would be there, telecom, this LTE project would be there and then kawach would be there. So we'll have







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to basically compete with private sector and win these tenders, and then only we get the business. There's no nomination now.

**Pratap Maliwal:** Okay, sir. And just one last thing from my side. The project revenues in 9 months of FY '23 were about INR 404 crores versus INR 339 crore in 9 months of FY '22. Now the project expenses have increased from INR 302 crores to INR 382 crores. So the increase in expenses is more than the increase in the revenue from projects. So what is going on in this particular area? Can I...

**Management:** Yes. So actually, there are few projects wherein we don't have our own presence. So there, we'll have to partner with the last mile service providers. So those kind of expenses increase and in projects in a quarter, the second reason is that in a quarter, quarter is a small period wherein you can not actually one-on-one match the expenditure in revenue. So sometimes, it also happens that revenue comes in Q3 and we have spent in Q2. But overall, on annual basis, this gives us better picture, I would say.

**Pratap Maliwal:** Okay, sir.

**Moderator:** Participants. If you have a question, -- the next question is from the line of Swechha Jain from AMS Wealth.

**Swechha Jain:** Thanks For giving this opportunity to me. Sir, my first question is regarding the RDN like you answered to the previous participant that we are likely to announce the winner in Q4. But sir, in last call also, we had mentioned that we would be announcing the winner in Q3 for the audience. So if you could just give some color on it as to how many bids have we received -- and I just want to understand -- just want to rule out the worst-case scenario, like if it happened in COD where we had to go back to the ministry and reconsider the RFP. So do you think something like this can also happen in RDN?

**Management:** See, this would be premature to say anything on this subject because number of participants, we cannot declare due to confidentiality. But I can say despite that we are since this being a 10-year project, we are basically studying each and every aspect of it, given the experience in the case of COD..

**Swechha Jain:** Okay. But it won't happen like we have to go back, right? Do you think -- I mean, is there a possibility of...

**Management:** I'm not in position to say that.

**Swechha Jain:** Okay. Sir, also, I wanted to understand the telecom margins are quite fluctuating, like sometimes it's 25% to 27%, sometimes it's 20%. So one, I wanted to understand why there is so much of fluctuation in the telecom margins. And secondly, if you could guide us as to what kind of sustainable margins can we expect in the telecom business?





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- Management:** Okay. So our telecom business, I think 20% to 25% margin will continue to be there. I hope it won't be any big factor to affect this number. Now as you already said that these fluctuations are there -- and I think you know that project business, we are expanding on project business size. So we are not now considering to grow in terms of percentage only, but we are strategizing to get more volume so that our absolute numbers continue to grow. Because of competition in telecom market also being there, we are now basically concentrating more on volume rather than on a small number of projects.
- Swechha Jain:** Right. Okay. And sir, just last question. It's a follow-up to the earlier participant. If you could give us the subscribers of rail wire as on 31st December? And what was the net addition in the subscriber in rail wire in...
- Management:** I -- in fact, I indicated in answer to the last question also. So there has been not any substantial. I think there was hardly incremental 15,000 to 18,000 subscribers only. But there was there is a continuous switch from one to other, and then we are trying to win them back. And most of it, since we are working both in rural and urban. So urban areas, there is a dynamism means we are not very sure. But rural area, yes, we are still able to penetrate.
- Swechha Jain:** Okay. So in last call, actually, we had said that we have close to 5 lakh of subscribers and we expect to reach 6 lakh by FY '23 end. So do you think we can reach that or that will be pushed by like 1 quarter or something?
- Management:** I think, yes. You say that seems to be correct. It will get closed by one quarter more. And we expect, because now we have almost finalized our strategy and we'll start implementing during this quarter. This will change the market scenario, yes.
- Moderator:** We have the next question from the line of Saurabh Jain from Sunidhi Securities.
- Saurabh Jain:** I have a couple of questions. To begin with, could you please share the number for provision towards ECL? During the quarter and 9M?
- Management:** We have a provision against ECL of INR 39 crores for nine months including INR 21 crores during this quarter.
- Saurabh Jain:** INR 21 crores during this quarter,
- Management:** INR 21 crores during this quarter and total INR 39 crores during nine months.
- Saurabh Jain:** And this entire amount is included in the other expenses, right?
- Management:** Yes.
- Saurabh Jain:** And also, if you can share the number for the revenue from data center and manage hosting during the quarter?





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- Management:** Actually data center, if you talk of data center alone, there will be around so nine months, it has been INR 38 crores.
- Saurabh Jain:** And one last bookkeeping question. Any pending impairment of CWIP from the Northeast project?
- Management:** No, not in this quarter.
- Saurabh Jain:** Anything which we should expect going forward? Is there any remaining amount, which needs to be enter?
- Management:** We are pursuing with the government to basically bring it back, but I'm not sure whether it will be. But we have started pursuing USOF .
- Saurabh Jain:** Coming to my main question, sir, during last couple of con calls and in our video interaction, we have been very optimistic on execution on the project either during the third quarter, although as you have mentioned that there was no revenue in the third quarter from railways. So if you can cite the reason for under execution on the project side and what should be the outlook for Q4 in FY '24?
- Management:** Yes. So on railway side as well as a few of the non-railway projects also. One reason what I see is the continuation of the Ukraine war and the global recession and consequently, the availability of chipset also. Chipset availability due to Ukraine war and the problem continuing in China as well. So we were expecting that the availability of chipset will be better during this year to 2023, but it has not happened. But now it started, we have seen the scenario getting relaxed better. So I hope that during '24, we can pull on these projects. Even in Q4 also, we will get results not getting much affected due to availability of semiconductor chipset.
- Saurabh Jain:** So if I'm not mistaken, the outlook for the current fiscal was around INR 1,000 crores. So, and we have done nearly INR 400 crores in the first three quarters. So would you like to revise.
- Management:** Have another INR 400 crores.
- Saurabh Jain:** And sir, one last question from my side. On the margins front, in one of the earlier con call, we had guided for 27% to 28% on the telecom side and 8.5% on the project side, but the margins have consistently been falling and keeping this ECL provision aside of the EBITDA margin as reported is one of the lowest in last 12, 13 quarters. So what should be the worst case scenario, which we can assume going forward in both the divisions?
- Management:** See, if you see the project, so till Q2, it was 4% only. But we have already recovered to 7% when we have come to Q3. So I think project margins will be more or less here only. As far as telecom business is concerned, I would revise the guidelines for this thing to 20% to 25% rather than 25% to 30%.







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- Saurabh Jain:** 22% to 25% and 7%, 8% for the project division, right?
- Management:** Yes.
- Saurabh Jain:** So going forward with rising share of project services, the overall EBITDA margin is likely to showcase a downtrend. So do you have any benchmark that we won't do any business below this margin or something like that?
- Management:** As I said in my question and answer to a previous investor that we are already seeing the competition in project business also. So we are now considering more on volume side so that our absolute numbers grow healthily rather than we concentrate on the particular project margin. Because then we will start losing the business also. So that we don't want to happen. So we are now slightly and slowly changing our strategy that we will not stick to a number and we lose our business.
- Moderator:** We have the next question from the line of Bala Murali Krishna, an investor.
- Bala Krishna:** I would like to know regarding this Kawach, so any update? Is there any discussions with the OEMs?
- Management:** See, discussions with the OEM are still not finalized basically not in final stage. As RDSO is also carrying out some type test approvals and all that. So we are still working out and trying to finalize with anyone, There are not many OEMs. Yes.
- Bala Krishna:** We have two OEM for which some part of the order was already issued. So in last call, we have discussed that for LTE connectivity, they will come to us. So we need to offer the service. So regarding that I am asking?
- Management:** That will be apart from this Kawach. So that will be an enabler and they have no option.
- Bala Krishna:** And one more thing, sir, in the remarks in the opening remarks, you were talking about the educational sector orders. So in one of our presentation in -- in the opening remarks, you were talking about a education sector, order.-- in one of our presentation, we have mentioned that we have around a scope of INR 1,000 crores order in this sector. So could you please update us on new order wins in this one?
- Management:** In the education sector, we have never told INR 1,000 crores. I don't remember...
- Bala Krishna:** Actually, a few quarters before, you have uploaded one presentation in exchanges....
- Management:** No, that maybe I think you were talking about National knowledge network [inaudible 0:34:00] directly, if you talk of application business, basically, if you talk of application business in education sector, so we have started, we have started making dent in this sector.





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- Bala Krishna:** I think it is regarding, getting the ICT Labs [inaudible 0:34:18] for Bihar and school...
- Management:** No, not yet. Anything, I don't see anything on radar. But we have got a few orders, which are INR 10 crores to INR 15 crores, they are very small. And we are still pursuing with the various purchasers like Navodaya Vidhyalaya, even NTA, this National Testing Agency for their Adhar authentication services. These kind of things we are trying, but we have not got any major success per se. Health, we have got few, but education, we are still trying.
- Bala Krishna:** One more piece on video surveillance system, what is the status and how much you can expect in this next quarter or next year from railway side? I think I want on Delhi order also from the Delhi police and any order pipeline in this sector?
- Management:** As far as video surveillance is concerned, so we are expecting that supplies come before Q4, and we are already discussing with our partners, our OEM. Because again, semiconductor chips has been one major issue for the commissioning of video surveillance. Orders are already placed. And we are still -- we have been assured by the partners, OEMs that they'll be able to supply a major chunk of materials so that we can commission major chunk of it -- actually major chunk in before March '23. But if you talk of complete projects by next year, this project should be complete by end of 2024.
- Bala Krishna:** In this one, in video surveillance how much you have executed...
- Moderator:** Mr. Murali. Sir, I'm sorry to interrupt, sir, you'll have to come back in the queue. We have participants waiting. Thank you. We have the next question from the line of Vishal Periwal.
- Vishal Periwal:** Sir, in the revenue side, for the telecom segment, can you give a breakup between NLD, IP1 and the third segment?
- Management:** So NLD in Q3, first INR 142 crores, ISP was INR 94 crores, and IP1 was INR 49 crores.
- Vishal Periwal:** And second, one data point, I mean, in terms of what is the current order book that we have as on 31, December, in project?
- Management:** So we have the order books, close to INR 5,000 crores, which includes taxes also, of course.
- Vishal Periwal:** So I think just a clarification. So it's around out INR 5,000, INR 4,000 because last time we have reported it will -- any revision in the order?
- Management:** Around 4,700 crores, I think in one interview, I INR 4,700 crores, inclusive of, of course, tax. And recently, we have got another order, so we can say it is somewhere close to 5,000.
- Vishal Periwal:** And next, I think just one question was already there. This opening up of a sector for private entities, the right of way and the space alone. So it is only for the tower side or even the optic





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fiber. which we have 60,000 to 70,000-odd kilometers. So even that can be like a private guys can enter into the space?

**Management:** Right till now, the railway right of way was not available to anybody else other than the Railtel for laying of Telecommunication cable. But now it is open. But as I told you that it is not a small job to lay optical fiber cables, all along the railway track. There may be instances where they lay 1 or 2 kilometers, 3 kilometers for using the right of way along the railway track to get into some other side of the track or maybe accessing some specific area, but I don't think it will be easy for any sector player to develop a complete network of the size of railtel's existing network. So I don't see any challenge in this segment.

**Vishal Periwal:** And then, earlier sir, we were sharing -- I mean, 7% of our revenue, I mean, for the services that we are giving and the usage of the railway siding. So will this change now or it remains the same.

**Management:** So we have already started discussing with Ministry of Railways on this aspect. So I cannot comment. It will be too premature to say anything on this.

**Moderator:** We have the next question from the line of Swechha Jain from AMS Wealth.

**Swechha Jain:** I have a couple of follow-up questions. Sir, you said the order book is around INR 5,000 crores. So would you be able to give a split of this into how much is on the railway side and how much is on non-railway side, sir?

**Management:** So if we talk of railways, there is around 40% and other than the railways is remaining...

**Swechha Jain:** And also, sir, on the project business, I think I kind of missed when you were answering somebody's question, what kind of revenue you were saying like we've done INR 400 crores. And in Q4, you're saying we'll do another INR 400 crores, is it? Okay. So basically, last quarter, we had guided INR 1,000 crores for FY '23. That we are tapering down to INR 800 crores. And for FY '24, sir, you had given a guidance of INR 1,500 crores. So should we assume FY '24 INR 1,500 crores? Or there is some revision on that also, sir?

**Management:** See, we'll be, of course, trying to get this number, INR 1,500 crores is still our target. And we'll see the situation basically getting better in semiconductor chip appliance.

**Swechha Jain:** And sir, I missed the ECL provision number for this quarter.

**Management:** That is INR 21 crores, yes.

**Swechha Jain:** INR 21 crores for Q3, right?

**Management:** Yes. And INR 39 crores for 9 months.







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- Swechha Jain:** INR 39 crores for 9 months.Okay
- Moderator:** We have the next question from the line of Hitesh Mahida from HDFC Life.
- Hitesh Mahida:** Just a couple of queries. Firstly, I mean, if you can help me understand, you said there has been a heightened competition in the project side. And accordingly, we are just going for volume rather than margins. And despite that we have given 7% to 8% margin guidance. So if you can help me understand, I mean, from which players are we seeing heightened competition?
- Management:** So the PSU and non-PSU, both kind of competition are there. Like if you talk of non-PSU, there are L&T, HFCL or any other like Tatas, Airtel, Reliance Jio also there. And in PSUs, ITI, TCIL, these are the companies which are there.
- Hitesh Mahida:** But on the railway side, I think we have the Right of first refusal
- Management:** On railway side?
- Hitesh Mahida:** We have right of first refusal, right?
- Management:** No, I think. There are a lot of noise coming from your side.
- Hitesh Mahida:** In -- on the railway side, we have right of first refusal, right?
- Management:** No, there is no such right we have.
- Hitesh Mahida:** No, actually I am not on extension, I'm on mobile only maybe some disturbance. And just one last question. I mean, this INR 150 crores project business run rate quarterly. I mean what should we expect it going ahead? I mean should we expect a much higher performance from Q4 onwards?
- Management:** See, if you see the numbers, the projects coming in during last couple of months, we have got a good amount of new orders also like Pondicherry, NMDC, now State Bank of India. And there are a few tenders. We are declared L1 and we are expecting those orders to come so. You can very well assume that we will upgrade our guidelines, guidelines in the project business. And this quarter also, we are expecting 400 kind of number coming in. Other -- it was not only competition, but the semiconductor chip supply also because we already have orders in our hand, and we need to deliver them because of the supplies, a few of them are hampered.
- Hitesh Mahida:** So this quarterly run rate, we should expect at least 20%, 25% growth going ahead, say, maybe from next year?
- Management:** Quarterly, again, I cannot say much. But yes, annual numbers we'll be targeting. Quarterly, I can't say because...





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**Hitesh Mahida:** We should go ahead at least 20%, 25%?

**Management:** Yes. On an average, you can say that.

**Hitesh Mahida:** And the execution delays, which have primarily happened because of chip side delays?

**Management:** Yes, mostly.

**Hitesh Mahida:** But recently, I mean having gone through commentary of some of the larger semiconductor players like Samsung and all, they are too are saying that, there is now the supply is more than demand. So we have not seen anything on the ground level?

**Management:** See, there are commodities which are -- there are different kind of semiconductor list. So there are commodities like routers, transport equipment and high-end equipment, which are generally required by us. So there is still scarcity in that segment, whereas the low-end commodities like switches or even small CPs, I agree with you that the situation has improved.

**Moderator:** We have the next question from the line of Pratap Maliwal from Mountain Intra Finance.

**Pratap Maliwal:** I Just read the Q4 project revenue going to INR 400 crores is quite interesting. So I just wanted to confirm what would be the vender's revenues out of it because I think you were supposed to monetize about INR 300 crores in Q4. So what is the -- out of the INR 400 crores, what would be the VSS project component?

**Management:** So we are still eyeing INR 200 crores to INR 250 crores, for against this project

**Pratap Maliwal:** And the balance would be then in Q1? Or would we maybe we get shifted out [Inaudible 0:47:13]?

**Management:** Yes, next year, we will close it.

**Moderator:** We have the next question from the line of Amit Kumar from Determined Investments.

**Amit Kumar:** No, I am not.

**Moderator:** We'll move to the next question from the line of Dhvani Shah from Investec.

**Dhvani Shah:** So just wanted to check how much was the ECL provision in Q2 and Q1, you all have given the number to be INR 39 crores for nine months Second thing, let me know the breakup for the previous two quarters? And if there are any write-backs.

**Management:** Q1 and Q2, you are asking ECL?

**Dhvani Shah:** Yes.





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- Management:** Let me get these numbers. I just don't remember Okay. So total INR 18 crores is from Q1 and Q2. There is no specifically write-back..
- Dhvani Shah:** No write-back. Okay. Perfect. And also, you mentioned that you're change your strategy a little bit by focusing more on volumes in the project business versus in margins. So just wanted to understand what will be the margins for Q4 look like?
- Management:** They will continue to be in the same range, 7% to 8% for now because this kind of strategy will take time to get implemented. But yes, we are focused on getting absolute growth.
- Dhvani Shah:** And does that change your guidance for the next year if you're focusing on growth in terms of revenue?
- Management:** Next year, we will be -- we expect to be in the range of 25%,
- Dhvani Shah:** 25%.
- Moderator:** We have the next question from the line of Amit Kumar from the Determined Investments.
- Amit Kumar:** Thank you so much for the opportunity and apologies earlier. I just wanted to sort of get a sense in your IP business, the rollout of 5G sort of progressing at a fairly fast it at least asteroids not...
- Management:** Your voice is not clear.
- Moderator:** Mr. Kumar, your voice is sounding muffled. -- if you could...
- Amit Kumar:** Is this better?
- Moderator:** Yes, much better...
- Amit Kumar:** Yes. So I was saying that in the IP 1 business, the rollout of 5G is sort of progressing at a reasonably fast clip now at least 2 out of the 3 operators out there. So are you sort of deriving any benefit from the same in that side of the business? And any sort of guidance for...
- Management:** I would rather like not to comment on 5G rollout by the 2 operators. I think we all can experience the same and then find out. So I really don't want to comment on that. But yes, we have not yet benefited from this.
- Amit Kumar:** And just a very small sort of follow-up on this Vodafone obviously has had some trouble in paying the service providers. So do you have to any sort of exposure, any sort of receivable on that side?
- Management:** Vodafone, as far as RailTel is concerned, has been paying continuously and consistently. So we have not big exposure, but whatever number is there, so they have been paying continuously.







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- Amit Kumar:** No, there are no excess receivables like upwards of 90-120 days, there's nothing of that sort.
- Management:** I wouldn't say 90-120 days. But yes, 1 to 2 months, they are paying.
- Amit Kumar:** But one cap. So that was in the benchmark. -- just this one with a small financial question. When we look at your segment financials, there is this unallocated expenditure net of income item, which seems to be quite volatile on a quarter-on-quarter basis. I mean I know a year ago, you had some chunky other income, so that's what's driving it. But even when you look at it on a quarter-on-quarter basis, it's quite volatile. Could you just explain what is sort of going on here.
- Management:** Just give me 10 15 seconds.
- Amit Kumar:** So if you look at it in the previous quarter, it was about INR 11.68 crores, and it has gone to just about INR 24.30 crores in this particular quarter. That sort of there is a little bit of volatility in your PBT numbers...
- Management:** No, no, no. Actually, no, no, I think if -- again, I have been telling this earlier also that I've been telling earlier also that quarter is a very small period for a company -- a small company like RailTel. So a very small change in any number actually become -- in percentage terms seems to be like last quarter, our growth was high, 115% and then 120% kind of.
- So I always try to -- not to take such small volatility into account. So I don't see any fear in that and because some volatility also comes in due to ECL also. So I would rather avoid commenting on this.
- Amit Kumar:** Okay. So actually, I thought the on...
- Management:** I don't see any any trends.
- Amit Kumar:** I could see volatility, if anything, would be captured above the line in the segment project business because obviously, whatever cost that you have would be sort of captured...
- Management:** My Director of Finance, will may be able to give some insight.
- Management:** Talking about volatility, but if you finally see the revenue from operations part, end of December '22, it was INR 454 crores, whereas at the end of September '22, it was INR 429 crores. There is a growth of 6%. And if you compare Q3 performance of '22 and the Q3 performance of '21-'22. We are maintaining our core EBITDA. We are maintaining our core EBITDA .
- So that way, operational wise, there is no serious difficulty. But only because of the ECL and other income, there is a fluctuation in quarter 3 of 2022. So that may be the reason, and it might be giving you a feeling to you that there is a huge variation kind of thing. This is what we wanted to make a request you to take note of.





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- Moderator:** We have the next question from the line of Hitesh Mahida from HDFC Life.
- Hitesh Mahida:** For the follow-up. I just wanted to know this ECL provisioning, which we do, is it an actual cash loss or is just backed by creditors, so we don't actually incur any cash loss.
- Management:** No cash loss. These are some presumptions, we have made some like -- though they are not bad debt at all. There are some formulas on based on which we have worked out the ECL. So like even I invoice today something, a part of it goes to ECL. -- yes. So there's no serious loss. There's no serious...
- Hitesh Mahida:** So if you can explain as I say, maybe if it's been INR 100 crores order, what part goes into ECL on day 1 itself and what goes on ECL after 2 years?
- Management:** No. Basically, the entire debtor's profile will be analyzed as per the age of tendency. So even within 1 year tendency also, we need to make a provision for the ECL of 4%. So similarly, for between 1 to 2 years, the percentage is slightly higher, and in 2 to 3, this is still higher, 3 to 4 and beyond, it will be still higher. So that gets averaged out. And finally, a figure comes out, which will provide it as a provisioning in this particular quarter.
- But that does not mean that we stop our efforts of recovering those debts. Many will be our -- many of them are our regular reputed customers, there may be certain internal process on their side, which may be the reason for pendency, etcetera. Once we realize them, the ECL provision gets reversed. So that is what the mechanism is all about...
- Hitesh Mahida:** And do we also be ECL provisioning reversal as and when we recover money has the ramp in the past?
- Management:** Yes. Yes.
- Hitesh Mahida:** So in 9 months, have you done any reverse?
- Management:** Last year, we had done. So generally reversals come in the last quarter because last quarter, we are consolidating our recovery, we drive -- we do drive for recovery of this money. Most of these are government customers and their estimates are revised funds, if not available, they are getting those funds. So those kind of events happen in last quarter. And so we are getting those money back mostly in last quarter.
- Hitesh Mahida:** So last year, if you can help us, what was the overall ECL provisioning and what was the overall ECL reversal in fourth quarter?
- Management:** Last year, actually, because of -- I mean, the ECL provisioning of ECL and the related policy came into existence last year. And last year, the net reversal was about INR 50 crores.
- Hitesh Mahida:** The reversal was INR 50 crores. And what was the provisioning?





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**Management:** What was asking next what was the provision -- that needs to be checked there. We'll get back, but INR 50 crores was reversal.

**Hitesh Mahida:** INR 50 crores was the reversal in the fourth quarter itself?

**Management:** You can say for the entire financial year. No -- last year Q3, also there was reversal of 36 and whole of year a whole of 9 months.

**Hitesh Mahida:** And this year, we haven't done any reversal so far so it will happen in fourth quarter?

**Management:** So if you could see, last year, some INR 50 crores reversal was there, and this year about in the 9 months, INR 39 crores of provisioning as there. So can we understand that at INR 39 crores, ECL provisioning is there. So that is the...

**Hitesh Mahida:** So net-net, it can neutralize for the year

**Moderator:** Thank you. Ladies and gentlemen, that was the last question and we will now close the question queue. Thank you, members of the management and Mr. Periwal. Ladies and gentlemen, on behalf of IDBI Capital and RailTel Corporation, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.



H.C. Batra

7/2/2023

H.C. Batra  
(CRO)