



RailTel/Sectt/21/SE/S-16

Date: March 30, 2021

To Listing Department, National Stock Exchange of India Limited 'Exchange Plaza', C-1, Block G, Bandra - Kurla Complex, Bandra (E), Mumbai - 400 051	To Corporate Relationship Department, BSE Limited, Rotunda Building, P J Towers, Dalal Street, Fort, Mumbai - 400 001
Scrip Symbol- RAILTEL	Scrip Code- 543265

Sub: Outcome of Investors/Analysts meet.

Dear Sir/Madam,

In reference to our previous communication dated 20th March, 2021 regarding Investors/Analyst Conference Call, please find enclosed the transcript of Conference Call held 23rd March, 2021, hosted by IDBI Capital Markets and Securities Limited.

2. This is submitted for your information and record.

Thanking You,

Yours Sincerely,
For RailTel Corporation of India Ltd.




J S Marwah 30/03/2021

Company Secretary & Compliance Officer
Membership No. - FCS 8075

Encl: As above

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“RailTel Corporation Post Results Q3 FY2021 Earnings Conference Call”

March 23, 2021



ANALYST: **MR. VISHAL PERIWAL - IDBI CAPITAL MARKETS & SECURITIES LIMITED**

MANAGEMENT: **SHRI. PUNEET CHAWLA - CHAIRMAN & MANAGING DIRECTOR – RAILTEL CORPORATION OF INDIA LIMITED**
SHRI. ANAND KUMAR SINGH - DIRECTOR FINANCE & CHIEF FINANCIAL OFFICER - RAILTEL CORPORATION OF INDIA LIMITED

P a g e 1





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Moderator:

Ladies and gentlemen good day and welcome to the RailTel Corporation Post Results Q3 FY2021 Earnings Conference Call hosted by IDBI Capital. Please note that this call is of 45 minutes. 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 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 IDBI Capital. Thank you and over to you Sir!

Vishal Periwal:

Good afternoon everyone. Thanks for sparing time and attending the post results earning call of RailTel Corp. From the RailTel management we have with us Shri. Puneet Chawla, Chairman & Managing Director; Shri. Anand Kumar Singh, Director Finance & CFO. Now I will be handing over the call to the RailTel management for the opening remarks and post which we will have a Q&A. Thank you and over to you Sir!

Puneet Chawla:

Thank you very much. Good afternoon everybody. As you all know RailTel is a Mini Ratna PSU under the Government of India and it started as a vanilla bandwidth service provider, but now it has grown to be one of the largest ICT infrastructure providers in the company, our strength is that we have got an exclusive right-of-way along the railway tracks of 67000 routes kilometers plus connecting 7300 plus railway stations and our optical fiber network covers today 59000 plus route kilometers and 5900 plus railway stations. Apart from optical fiber network we have got our two data centers, which are empanelled and Tier-III certified. On both the optical fiber and the data center we offer a diverse range of services including telecom network services, telecom infrastructure services, manage data center and hosting services and we also execute a number of projects.

In last year our turnover was 1166 Crores and the PAT grew by 4.2% and this year we are growing better than last year, 1166 last year was the highest ever turnover achieved by the company and this year we are expecting to increase that to cross that also and we had our board meeting yesterday and results from the third quarter were finalized, the accounts were finalized and the consolidated revenue from operations for third quarter ending December 31, 2020 stood at Rs.411 Crores registering a growth of 45% on quarter-on-quarter basis and 52% on year-on-year basis. The telecom segment contributed to approximately Rs.224 Crores, which was 10% more than the preceding quarters then 16% higher year-on-year. The project segment contributed Rs.187 Crores registering 135% increase quarter-on-quarter and 144% year-on-year. Total income stood at Rs.418 Crores, which is 43% increase over the preceding year and 50% higher on year-on-year, 43% increase over the last quarter. The PBT stood at Rs.94 Crores and PAT at Rs.70 Crores, which was higher by 135% and 141% respectively over the previous quarter. EBITDA for third quarter was Rs.128 Crores that is the increase of 91% on quarter-on-quarter basis and 60% on year-on-year basis. The EBITDA margin was 30.62% and it grew by 33% compared to the preceding quarter. Core EBITDA was Rs.121 Crores, which is 109% increase





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over the preceding quarter. The company made a provision of Rs.19.73 Crores against impairment loss and expected credit loss in the third quarter as against Rs.55.15 Crores in the second quarter of FY2021. The adjusted PAT on year-to-date in this year it is standing at Rs.185 Crores after adjusting the credit loss and impairment. So considering all this the company has declared an interim dividend of Rs.1 per share that is 10% of the paid-up share capital. So this was a brief of the performance of the company so far and particularly in this last quarter so I will be glad to take some questions if any.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ashok Damani, an Individual Investor. Please go ahead.

Ashok Damani: Recently you have announced that you won an order could you give us some color on that, please Sir?

Puneet Chawla: Yes, we recently got an order from Central Coalfields Limited for commissioning a virtual private network for them including our network operations center at more than 400 locations, so their headquarter is at Ranchi and we have to make this network for them and we will also operate it, maintain it for the next five years.

Ashok Damani: What is the value of that order?

Puneet Chawla: 153 Crores.

Ashok Damani: Including the maintenance?

Puneet Chawla: Yes.

Ashok Damani: Could you give us some color on the next year looking ahead now that you are almost out of COVID how do you see growth for your company in the next financial year?

Puneet Chawla: The growth in the next financial year also will be quite good in fact COVID has not affected us adversely in fact the demand for our services has grown post COVID, our leased line service has grown, our broadband service has grown, our services in the health sector has grown, the education sector is growing, the coal sector I already told you about this big order and rest of the coal companies, which are yet to make the network are also in talks with us, so the requirement of ICT the importance of ICT is being understood in all the sectors, the investments which were to be made two to four years from now due to impact of COVID. Video conference service which we offer that requirement has grown more by 25 times so all these things and then we are one of the leading companies in the field so we are certainly to get a good pie out of it.

Ashok Damani: Could you just also give us some color my last question on you are putting up a surveillance system at stations what part of that is remaining and how do you look at that exercise going?





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- Puneet Chawla:** That is a big project, we have to commission this at more than 6000 stations, out of 6000 stations we have commissioned 260 stations, which are big stations, the 260 big major stations we have commissioned and this project will take approximately two years to be completed, this is the railway stations, apart from this we have also been told to provide this in the coaches, so a work of 14000 plus coaches has been sanctioned and that also depending upon the availability of funding, etc., it will be executed, so we expect this also to be completed in the next two, two-and-a-half years time.
- Ashok Damani:** If you can put a number as to you sell only 260 of 6000 stations will be completed so far right?
- Puneet Chawla:** Yes.
- Ashok Damani:** In the coaches almost nothing has begun so far right?
- Puneet Chawla:** Coaches is yet to be taken up.
- Ashok Damani:** What are the size of these projects at full scale, how many stations would you expect to do next year and the year after that and what will be the size each year of that?
- Puneet Chawla:** Size in terms of money?
- Ashok Damani:** Revenue.
- Puneet Chawla:** The stations part is approximately 1000 Crores total and these coaches' part is 400 Crores.
- Ashok Damani:** That should hopefully come over two to three years?
- Puneet Chawla:** Yes, two to three years.
- Ashok Damani:** Thank you so much Sir and good luck for the next quarter.
- Moderator:** Thank you. The next question is from the line of Apurva Mehta from AM Investments. Please go ahead.
- Apurva Mehta:** Can you share the current order book and how are we going to execute over next two, three years, what kind of visibility we have?
- Puneet Chawla:** This current order book was about before filing of the RSP was 4000 Crores and post filing the RSP till now we have got orders of approximately 400 Crores so that means 4400 Crores is the order book right now and the order book will of course continue to grow and we expect like these orders what we have some orders we have to implement it in one year's time, some are in six months time and some may go up to four years like the railway signaling project, which has been





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allocated to us on a filing basis so that may go up to four years, so it will be I would say that timeline to execute this order book, which we have right now is about 6 months to 4 years.

Apurva Mehta:

Can you give me some visibility what will be the revenue stream for next year?

Puneet Chawla:

Revenue stream will be from both the services as well as the projects, what I am telling you is the projects only what I told you, the services part will of course continue right now we have services of 700 Crores in hand, which will continue, so the services of 700 Crores plus projects.

Apurva Mehta:

Project will be how much if we were doing last year we did around 383 Crores this year we would be executing I do not know maybe close to 400 Crores, but next year would be because there will be no COVID and we can have some visibility more visibility about that so what kind of project execution we will do?

Puneet Chawla:

Project execution will certainly be at a faster pace, we will be completing the e-office project for the railways, we have done phase I and II third phase we will be completing then this CCTV project, which just Mr. Ashok was also talking about that we will be executing with this project at quite a large number of stations then the Coal Fields project for the coal company we will be executing then some signaling projects ongoing signaling projects we will be executing for the railways, one another important project which we have already started and which we will progress at a very fast pace next year will be hospital management system, hospital management information system, so these are some of the key projects.

AK Singh:

Apurva Ji I am AK Singh, Director Finance, RailTel I would like to just add to what CMD Sir just said, for the period ended September 30, 2020 projects revenue was 135 Crores, for the period ending December 31, 2020 it is 322 Crores and if I take it on year-on-year basis the growth is 73% and it can be taken as a guidance that we will be moving in this fashion in the fourth quarter as well as for FY2022 also.

Apurva Mehta:

Sir on the services side what kind of visibility we have where we were growing steadily on the NLD service and ISP, so can you throw some light on what kind of visibility that we can see in that services business?

Puneet Chawla:

Yes, our services continue to grow, we have grown if we say year-on-year by 16% year-on-year on the services so this trend also will continue to grow and is expected to increase only because of the growing demand.

Apurva Mehta:

The demand side where we see from the government side, from the private side how is the demand coming from what will be from the government side what will be the private side?

Puneet Chawla:

In both the sectors government as well as private it will continue to grow. From government I can tell you one or two things, which we are working on already. The government wants to provide a





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broadband connectivity to 600000 villages in 1000 days, now our network we are present we have commissioned one of the largest WiFi network of the world, we have provided WiFi at 5900 plus railway stations already out of which 80% are in the rural regions, this would mean that 5000 stations are in the rural parts of the country, now at all these parts we have provided a broadband cost from which we have provided WiFi, now we have got sufficient spare capacity there, we have given a proposal to the Department of Telecommunications that from these villages in rural areas we can extend broadband facility to the nearby villages and they ask for a proposal for two states, Maharashtra and Jharkhand we have already submitted to them, which is very big, the opportunity this project covering all these states is a very big project, some states we will get, we will not get everything but then some we will get other than government sector is the Department of Telecommunication. Then health sectors every state wants to have a hospital management information system and this has been accelerated due to COVID and similarly the online classes the education smart classes so all these sectors will grow and we will certainly get some pie out of all these, this is apart from the railways.

Apurva Mehta:

Can we have some benefit coming from the 5G rollout also?

Puneet Chawla:

We are not into the mobile service operator we are not a mobile service operator, but then we have been given the task of four pilot projects for mobile for developing a high-speed mobile communication corridor for the railways. Railways have made a plan to provide a high speed mobile communication corridor from all the important routes of the railways, which is 4G based actually not 5G, 4G based railways have done, but this will entail construction of towers at almost all the railway stations and 8 to 10 kilometers we will have the towers, so one tenancy we will be using for the railways and then two tenancies that is we will be able to co-locate the antennas and the infrastructure of the mobile telecom operators there, so to that extent the infrastructure provider segment we are also an infrastructure provider that will grow, that income from that will come with the acceleration of the 5G services.

Moderator:

Thank you. The next question is from the line of Viraj Mithani from Jupiter Financial. Please go ahead.

Viraj Mithani:

Sir I just wanted some clarity you talked about the order book, which is the 4400 Crores of project and additional 700 Crores orders so that become 5100 Crores, is it correct?

Puneet Chawla:

No, I got interrupt here 700 Crores is for one year not for this thing 700 Crores is for one-year recurring income.

Viraj Mithani:

Can you give some breakup of these 4400 Crores how it will be executed and margins on the order book?

Puneet Chawla:

I already explained in response to another question that the time period of different projects is it varies actually it will vary from six months to four years time but the revenue generation will





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continue to occur, some of the projects may be completed in the four years time some big projects but then revenue will continue to be generated and as far as the margins are concerned the margins are also different for different projects like for the railways we work at a margin of 6.5%, for BharatNet we work at a margin of 16.5% and there are some projects where competition is less where we can see more margins maybe 20% also where the competition is more it will be less so you can say from 8% to 20% will be the margins range in this for different projects.

Viraj Mithani:

You are talking about EBTIDA not the net margins is that correct?

AK Singh:

See it is a net margin actually all expenses considered.

Viraj Mithani:

What would be the average execution period of this order book I understand it is difficult, but consider from analysis point of view the nature of the bidding over 2.5 to 3 years is that correct?

Puneet Chawla:

Yes.

Viraj Mithani:

80% of the order book of maybe three years is correct?

Puneet Chawla:

Yes very correct.

Viraj Mithani:

My next question you talked about this hospital management system and what is the size of the opportunity and what is the pie we are expecting to get out of this?

Puneet Chawla:

For the railways we are doing the complete project Pan India in Indian railways so it will be approximately 170 Crores or so and for different states it is different, for Karnataka like we have got a pilot one that is a small for about 9 Crores or so that is a pilot only, but when it comes for the complete state it will of course we bid and for Delhi there was a tender so we participated in that tender that was 100 Crores, so all these states are now coming up with either tenders or on nomination, so we will certainly be getting some states.

Viraj Mithani:

The size of the opportunity you are looking in the next three to four years in this hospital management system would be?

Puneet Chawla:

Size I am saying on an average you can take a state it would be around 150 to 200, of course Delhi is a smaller state in Delhi it is 100 Crores, but then the size will be varying for varying states and then we will get some states certainly.

Viraj Mithani:

I would assume the net margins would be higher on this around the range of 20% plus in this kind of business?

Puneet Chawla:

In this time yes it should be approximately 20%.





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- Viraj Mithani:** That is it from my side. Thank you Sir and all the best to you.
- Moderator:** Thank you. The next question is from the line of Pinkesh Jain from Way2Wealth Securities. Please go ahead.
- Pinkesh Jain:** Sir I have couple of questions I missed your comments on the margin part your voice was not audible at that time so can you repeat that on various projects you have different margins so BharatNet is going to 16.5 what else Sir?
- Puneet Chawla:** Railway project 8.5 and for some other projects where competition is less we even got more like 20% up to 20% so the margin will be between 8% to 20%.
- Pinkesh Jain:** I just want to know that how much of our order book is on nomination basis and how much is on the tender?
- Puneet Chawla:** It is 50:50 currently, but as we go on I think it will be more on tender.
- Pinkesh Jain:** The next question logically comes on the margins because we are even getting 15% and 20% margins on certain projects of course it also depends upon the complexity, but like how comfortable we are that what outlook can you give towards that maybe still we able to enjoy a such kind of margins and there will be no pressure from the railways?
- Puneet Chawla:** From railways we have got a MoU and it is based upon that MoU that they give us these margins and as I see these margins because nobody can work below a particular level.
- Pinkesh Jain:** This MoU is like a kind of a yearly MoU or we sit with the railways every year and we decide upon the margins I am talking only of the nomination contract?
- Puneet Chawla:** These MoUs are made basically from a project wise from project to project we enter into MoU but 8.5% is their policy aspect which they have made.
- Pinkesh Jain:** Sir finally one last thing on these impairments that we have been charging in FY2020 also we have written off and even in the current year so what is the status on this north east project and can you confirm our exposures now will be around 200 Crores on this project side?
- AK Singh:** Impairment for the north east project, we have started 7 Crores in the half year ended September 30, 2020, in the quarter ended December 31, 2020 there is no permanent loss of assets but only the depreciation has been accounted amounting Rs.3.41 Crores, going forward no permanent damage is envisaged and normal depreciations as per the Ind AS 36 will be considered in the financials. We have our network base and since as you are aware that the government's focus is on north east to develop north east in a very big way so we have a head start there and as and





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when the government schemes come we will be participating and we have our robust network which we will take care of the expansion.

- Moderator:** Thank you. The next question is from the line of Sandeep Dixit from Arjav Partners. Please go ahead.
- Sandeep Dixit:** Sir I wanted to get a sense of how much is railways as a percentage of the revenue and how much is it as a percentage of the order book, can you please give me some color?
- Puneet Chawla:** As a percentage of the order book railways is currently two third of the order book is from the railways and revenue is approximately 29% right now.
- Sandeep Dixit:** Is the revenue number considering the services and projects both or are we talking only about projects?
- Puneet Chawla:** No, services and project both.
- Sandeep Dixit:** On overall basis it is 29% for nine months FY2021 am I right?
- AK Singh:** 29% is for the project work but considering the services also this is in the range of 35% to 37%.
- Sandeep Dixit:** The second question I had was this do you have a write-off first refusal on our railway project or are you sort of required to take every project that the railway gives?
- Puneet Chawla:** We do not refuse projects why will we refuse projects when they are offering to us on this nomination basis we will not refuse projects.
- Sandeep Dixit:** Possible that some projects are far too difficult to justify the 8.5% margin.
- Puneet Chawla:** No, I do not think we will do such a thing or we will do such a thing, we take the challenges, there is no loss on any railway projects till date.
- Sandeep Dixit:** Fair enough. Thank you Sir that is my questions. Thank you.
- Moderator:** Thank you. The next question is from the line of Anurag Patil from Roha Group. Please go ahead.
- Anurag Patil:** Sir two to three years down the line what can be the revenue from projects versus telecom?
- Puneet Chawla:** From projects versus telecom?
- Anurag Patil:** Yes.

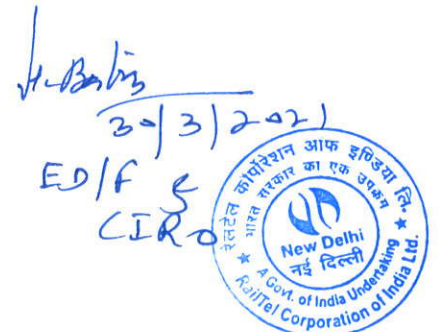




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- Puneet Chawla:** Both the revenue streams will continue to grow I can say this confidently because as I told just now the projects COVID has preponed the investment on the ICT project, every ICT project requires a services also because connectivity has to be provided everywhere, data center services have to be provided everywhere, data protection policies now all the government organizations must have data residing within the country so both the services and the project segment will continue to grow and will continue to grow at a fast pace.
- Anurag Patil:** Can we say the project business will grow at a much higher rate compared to services segment?
- Puneet Chawla:** Our projects have a component of services also so like I just briefed about the Central Coal Fields project so that project has a component of services also, once we execute the project the services will continue for the next five years. So that way we are confident that both the sectors will grow together; however, broadband service that will continue to grow, I just told you that the villages we are proposing that we can provide broadband services to the villages so those services they fall in the category of services and they will continue to grow.
- Anurag Patil:** Thank you and one last question any kind of probable guidance you can give for FY2022 any ballpark number?
- Puneet Chawla:** You can see our growth as compared to FY2020 you can see our projections up to the third quarter so this will continue to grow in the same fashion.
- Anurag Patil:** Okay Sir that is all from my side. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen due to the time constraint this was the last question for today. On behalf of IDBI Capital thank you for joining in the call and you may now disconnect your lines.
- Puneet Chawla:** Thank you.

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