Operator: Ladies and gentlemen, good day and welcome to the Q1 FY27 earnings conference call of Railtel Corporation Of India Ltd., hosted by PL Capital. As a reminder, all participant lines will be in 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 the operator by pressing star and then zero on your touchtone phone. I now hand the conference over to Mr. Vishal Periwal from PL Capital India. Thank you, and over to you, Mr. Periwal.

Vishal Periwal – PL Capital: Thank you, Danish. A warm welcome to everyone joining us for the RailTel Corporation Q1 FY27 results discussion. From the RailTel team, we have Mr. Sanjay Kumar, CMD; Mr. V. Rama Manohar Rao, Director Finance; Mr. Manoj Tandon, Director Project Operations & Maintenance; and Mr. Yashpal Singh Tomar, Director Network Planning and Marketing. As usual, we will have a brief overview from Mr. Sanjay Kumar on the results for the period, followed by a Q&A session. Thank you, and over to you, sir.

Management: Thank you, Vishal. A very good morning to everyone. It gives me great pleasure to interact with you regarding the company's performance in the backdrop of the Q1 FY27 financial results, which were declared by the company on 30 July 2026.

The company had a strong start to FY27, having achieved operating revenue of 893 crore in Q1 FY27, as against 744 crore in Q1 FY26, registering year-on-year growth of 20%. The telecom segment contributed 361 crore, and the project segment contributed 532 crore to the company's operating turnover. Total revenue for Q1 FY27 was 910 crore, as compared to 758 crore in Q1 FY26.

The company registered 12% growth in profit before tax and exceptional items, which was 96 crore for the quarter ended 30 June 2026, as compared to 86 crore during the same period of the previous year. The {? tax profit, tax ?} profit before tax and profit after tax for Q1 FY27 were 89 crore and 66 crore, respectively, which is almost the same as in Q1 of the previous year.

Orders received during the quarter ended 30 June 2026 amounted to 1,688 crore, as against total orders received during the quarter ended 30 June 2025 of 721 crore. The company has a robust order book of 11,747 crore as of date.

I am happy to inform you that the CAG has offered nil comments on the annual financial statements of FY26. We remain committed to pursuing growth and creating value for our esteemed investors. We thank our investors for their trust in our company, which we are committed to upholding. Thank you. Victory to India.

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question comes from the line of Sanjesh with ICICI Securities. Please go ahead.

Sanjesh – ICICI Securities: Good morning, sir. Thanks for the {? opportunity ?}.

Management: Good morning, Sanjesh.

Sanjesh – ICICI Securities: Thank you, sir. I wanted to first understand the breakup across the 3 segments, which are NLD, ISP and IP-1.

Management: This quarter, IP-1 was 27 crore.

Sanjesh – ICICI Securities: Okay.

Management: ISP was 112 crore, and NLD was 134 crore.

Sanjesh – ICICI Securities: What was the contribution of the railway segment to the total order book?

Management: You are referring to the railway segment in the order book? That is around 23%, or 23.5% exactly.

Sanjesh – ICICI Securities: Understood. I want to understand where we stand on Kavach in terms of execution for the 2 orders in which we bid. Also, how many tenders are we expecting from that segment this year?

Management: Kavach orders are, as I have been repeating, long-gestation orders and generally take 30 to 35 months. A lot of outdoor work is involved, and outdoor work is in progress on the 2 orders of East Central Railway. In WCR, we have initiated our work because this was the latest work awarded by West Central Railway.

The outdoor work in East Central Railway is at an advanced stage. The approval from RDSO is underway and is likely to happen at any time now, perhaps next month. Joint preparations have also started. Things are progressing in the right direction, I would say, and we are on track.

As for Kavach tenders, we are not seeing many Kavach tenders in the current financial year because the existing Kavach tenders that have already been awarded are under execution. The technology is still in development, I would say, and further improvements may be introduced based on experience. That may be the reason, but we do not know when the Railways will decide to issue these new tenders. Therefore, I cannot comment exactly on that aspect.

Sanjesh – ICICI Securities: Once we are doing outdoor work, drawings and all of that, when should we expect revenue recognition to begin?

Management: I think we should book revenue from the Kavach orders this year.

Sanjesh – ICICI Securities: We should start booking revenue from this year itself.

Management: Yes.

Sanjesh – ICICI Securities: Understood. My second question is on the telecom side, both NLD and ISP. On a year-on-year basis, NLD has declined. In the same quarter last year, we were at 151 crore, and this year we are at 134 crore in NLD. What is happening in NLD? Why has growth remained muted? In fact, we have reported negative growth this quarter. Is there any particular reason?

Management: Normally, in Q1, we expect renewals. Our telecom customers are mostly government departments. This year, somehow, the renewals for the services are continuing, and the renewals are expected. That is why we could not book the revenue. That is the major reason.

Otherwise, as I shared with you during my last call, we are doing well in the NLD segment. We have a couple of good new customers, such as the Air Force, and there is also 1 private operator; Starlink is now our customer. Growth is happening, and there is no reason for any of us to worry about this.

The National Knowledge Network is 1 business segment where individual institutes are now in the process of placing purchase orders. However, they have requested that we not discontinue the service because the services are being used. Those are the major reasons, I would say. Otherwise, there is nothing to worry about in the NLD segment.

Sanjesh – ICICI Securities: Once the renewals happen, we will start booking the revenue. That is the way it {? works ?}.

Management: Of course, yes.

Sanjesh – ICICI Securities: We do not book it on an accrual basis now that they are taking the services? Do you book the revenue? That is {? not ?}—

Management: Generally, we book it on an accrual basis, but the purchase orders have to be in place.

Sanjesh – ICICI Securities: Once the purchase orders are in place—

Management: They may not be {? there ?}.

Sanjesh – ICICI Securities: Understood. On the ISP segment and RailWire, where do we stand? Is the high competitive intensity and the movement of customers to FWA resulting in the lower growth in ISP for us?

Management: In ISP, if you look at the numbers, we have grown. Today, we are at 6.23 lakh subscribers. We have added almost 50,000 subscribers compared with the same period of the previous year. We have added customers and subscribers.

However, as you said, that segment is very competitive. ARPU is continuously under pressure. We are trying to do some other things as well. The ICT purchase order is a very good subscriber for our business in the ISP segment, where we are getting good business every year. Somehow, we have to remain in the market and compete in the broadband segment. There is a lot of competition.

Sanjesh – ICICI Securities: Are we seeing demand for our cable, considering that there is significant data center development taking place, which requires a lot of terrestrial fiber, and we are very well placed there? Are private players approaching us for cable capacity? Are we seeing any signs of that, or is it largely government demand that we are looking at for now?

Management: There is demand for fiber from private players. They are asking for dark fiber. Since we have an independent and completely different right-of-way, there will always be demand for our network.

We are working in that direction to determine how to invite investment in such a scenario, because we do not want to incur a lot of capital expenditure. Perhaps we can partner with someone who shares revenue with us, and then we can develop that kind of arrangement. As you have seen in the data center business, we have a good partnership there as well. We are working on that kind of model. Of course, demand is there, and they want us to participate.

Sanjesh – ICICI Securities: Most other players are located along the roads. There is a lot of demand for fiber, and you have a good ROW and a deeper presence in the market, which gives you an advantage. By when {? we should expect this ?}—

Management: It will certainly come, but it will take time. Demand is there, although they may not require it immediately. However, demand has started coming in, and we will certainly be there to meet that demand in due course.

Sanjesh – ICICI Securities: Understood. From a project perspective, out of the approximately 11,000 crore order book that we have, how much do we intend to book this year?

Management: We are expecting that a minimum of approximately 3,000–3,500 crore of project income should be booked in this quarter. We will certainly try our best, but that is where we have certainty.

Sanjesh – ICICI Securities: Sorry, 30,000?

Management: I mean 3,500.

Management: Yes, 3,500.

Sanjesh – ICICI Securities: 3,500 crore of revenue from orders in FY27.

Management: Yes, that is our anticipated and projected revenue booking.

Sanjesh – ICICI Securities: Are you looking at a margin in the 4–5% range?

Management: I think that, if you look at the margins, we have improved margins sequentially in the project business this quarter. We are continuously looking for better projects with better margins.

Sanjesh – ICICI Securities: Understood.

Sanjesh – ICICI Securities: Will Kavach have a better margin than this, or will Kavach remain in the same range?

Management: No, Kavach will certainly be better than—

Sanjesh – ICICI Securities: Better than this, right?

Management: Slightly better than—

Sanjesh – ICICI Securities: So, do we maintain the outlook that we gave last quarter, that revenue will grow at 25%?

Management: Yes, that remains the outlook. I have always said that, in a small company like RailTel, quarterly results have to be evaluated carefully. Many times, our investors may not have such a detailed understanding, but you have a very good understanding.

We are very satisfied with our performance. There may be a small variation here or there, perhaps due to a slight expected ECL, for example. ECL can easily affect our quarterly results, but if you look at the overall annual result, we are confident that RailTel will perform well.

Sanjesh – ICICI Securities: Certainly. Those small numbers can bring a lot of volatility for a small company, and we appreciate that.

Management: Most of our projects are government projects, so payment delays do occur. However, we are confident that those payments will come. We have also formulated our ECL policy to make the situation more transparent and to reflect how things are actually progressing.

Sanjesh – ICICI Securities: We appreciate that, sir. One last question: last quarter, there was also a sharp increase in receivables from the telecom segment. Have you started receiving those payments, or can that elevated level remain this year as well?

Management: Last quarter, there were some revisions. Those amounts mostly belonged to the Railways, and revisions in estimates are taking place. Those payments will come. There is no issue. It was, of course, a one-off event, as you rightly observed.

Sanjesh – ICICI Securities: Understood, sir. That is very helpful, Sanjay sir, as usual. Thank you very much for answering all the questions patiently, and best of luck for the coming quarters.

Management: Thank you.

Operator: Thank you. Ladies and gentlemen, anyone who wishes to ask a question may press star and one on their touchtone telephone.

The next question comes from the line of Bala Murali Krishna with Oman Investment Advisors. Please go ahead.

Bala Murali Krishna – Oman Investment Advisors: Good morning, sir. I just joined the call, so I may have missed something about Kavach. Are we a partner with {? Quadron Technologies ?} for Kavach? Is approval for them still pending? Do you have any idea when we may receive an update so that we can start recognizing revenue?

Management: Let me first clarify that our projects are not being delayed due to Kavach approval. That is point number 1. Point number 2, your concern is valid, but progress is very good. Final testing is underway, and approvals are likely at any time, possibly this month itself.

Since these are the latest Kavach entrants, many modifications are being included and incorporated into this latest Kavach OEM based on the experience of the previously approved OEMs in the field. That is why some time is being taken, but it will happen now.

Bala Murali Krishna – Oman Investment Advisors: I think earlier we had an indication that the other OEMs should also approach RailTel for RLT integration, and that we could earn revenue from that as well. Is that happening, or are the other OEMs following some alternative approach at present?

Management: I would not comment on that question right now, but I may comment on it sometime in the future if required. At present, we are open; we are never closed. Whoever offers us the best commercial terms for bidding and participating in the tender, we are open to working with them.

Bala Murali Krishna – Oman Investment Advisors: Lastly, on the margin front, historically we had margins of 18–19%, but over the last 2 years we have been at 15%. Since project revenue is growing faster than telecom revenue, margins are gradually declining. Do you think this 15% margin range will continue, or is there any possibility of an uptick in margins over the next 2–3 years?

Management: I have always emphasized this point: we are effectively 2 companies within 1 company. One is telecom, and the other is my project business. We are maintaining margins between 4–5% in projects, while telecom margins are already broadly in the range where they used to be. This is simple mathematics. If you combine the 2 margins, you will see the mathematics.

The project business is growing because of the country's digitalization requirements, so IT projects will certainly continue to be available. Telecom requirements will also continue, but there is continuous pressure on prices in telecom. Telecom is becoming a basic requirement, an infrastructure requirement, which earlier was not the case. When an asset or requirement becomes infrastructure, its growth is always subdued by pricing pressures.

That is what we will see in telecom. However, I want to make 1 point clear: because we are a telecom company, we are also receiving a lot of project business. We are now very much present in the data center business, which is an area of focus for the coming years and is expected to grow. We have a lot of expectations from the data center business segment.

We are diversifying our businesses wherever required, and I do not see any challenge for RailTel as a going concern. Investors need not worry.

Bala Murali Krishna – Oman Investment Advisors: I understood. Thank you for the explanation. I have 1 more question. I understand that telecom has stable margins and that the project business has margins of 5–6%. Over the next 2–3 years, do we have any plan to increase project margins from 5–6% to something like 6–7%?

Secondly, regarding the data center business segment, what is its contribution at present, and how do you see it contributing or ramping up over the next 4–5 years? Those are my last questions.

Management: That is what I was trying to explain. If you look at the industry, project margins are generally 2%, 3% or 4% for many project organizations. Very few even operate in the 4–5% range. We will try to remain in this range. Once the share of projects in overall revenue increases, there will appear to be pressure on the overall margins, and the margins may be seen as declining, although they are actually not declining. It is because of the mathematics.

Our project business segment is continuously operating within the same margin range, and our telecom margins are also in the same range. However, when you combine the 2 segments, the overall margin appears to be declining. That is not the reality if you look at the 2 segments separately.

The next question is about data centers. We have a lot of expectations from the data center business. In FY27 and FY28, we should be touching approximately 500 crores of revenue from this business segment. We will certainly touch around 300 crore this year, or perhaps somewhere around that, more or less in that range.

Considering the global scenario relating to cybersecurity and sovereignty, and the fact that the Government of India is also thinking in that direction, we are expecting good business in the data center segment. That is what I wanted to say.

Bala Murali Krishna – Oman Investment Advisors: That is all, sir. Thank you very much.

Operator: Thank you. Ladies and gentlemen, anyone who wishes to ask a question may press star and one. Our next question comes from the line of Vishal Periwal with PL India. Please go ahead.

Vishal Periwal – PL India: Thank you for the opportunity, sir. My first question is regarding the profit and loss account. There is an exceptional gain or loss that we generally book. The numbers are small this time as well, but which line items does this pertain to?

Management: These are based on the historical aging of debtors. As the aging of debtors increases, we account for it under ECL. However, this is only provisional, and none of the accounts are doubtful. We receive all the payments.

If a payment is delayed for 1 year and then for 2 years, we bring it into the ECL account for the sake of transparency. However, none of the accounts are doubtful. There is nothing to worry about; these are all routine matters, and the payments come in. As our revenues increase, naturally the size of ECL and the size of debtors will also increase.

We are now focusing very closely on debtors so that our ECL position also improves.

Vishal Periwal – PL India: When you say ECL, it is non-cash in that sense?

Management: Yes, it is non-cash.

Vishal Periwal – PL India: Understood.

Management: That is why the profit this year appears to be very flat. However, if you do not consider ECL, which is non-cash and notional, we are also growing in terms of profit.

Vishal Periwal – PL India: Because, I think, in the same period last year it was a gain, whereas this year it is a loss. That is why I was asking about the profit margin—

Management: Nothing has changed. It can be reversed as soon as we receive those payments.

Vishal Periwal – PL India: Understood. My second question is regarding the project business. What international orders are included in the project business? Can you provide some color on how healthy the share of international opportunities in the pipeline is?

Management: Regarding international orders, 1 business that we are already executing is in Ethiopia, which is around 18 crore. It is a small amount at present. All other orders have already been booked as revenue.

For example, we are supplying some laptops and some kits, such as G-Med kits. These are emergency medical kits being supplied by the Ministry of External Affairs to various countries in a friendly manner and as a friendly gesture by the Honorable Prime Minister during times of crisis in those countries. These are also very small numbers.

We are expecting to enter this market cautiously and gradually. We are working on opportunities in Uzbekistan and are also bidding in tenders there. We participated in a tender in Sri Lanka but did not receive the order. We are also exploring opportunities in Vietnam. We are continuously looking for opportunities.

In Ethiopia, we now have a project office, and 1 project officer or project director has been posted there. Work has started on the Ethiopia data center project.

Vishal Periwal – PL India: Understood. Regarding data centers, you clarified that the revenue booking outlook appears healthy, with approximately 300 crore this year and then approximately 500 crore. Operationally, in terms of megawatts, what are we commissioning? Can you provide some details on the operational aspects?

Management: This year we are expecting—rather, not this year—by May 2027, a 10 MW facility should be commissioned in Noida. That was the first target. It may even happen earlier, perhaps 1 month before May. Therefore, next year we will have this 10 MW facility.

Two edge data centers have already been commissioned, in Mumbai and Gurgaon.

Management: The Mumbai and Gurgaon facilities are small-capacity data centers. We are also expanding, but only by a very marginal capacity of {? 500 kilowatt ?} in Hyderabad.

In Noida, we will make a very small capacity operational at the same location because there is a requirement. That is also {? 500 kilowatt ?}. These are all small additions, whatever we can do.

However, we have tied up with Anant Raj and Adani, and we have visited a few other facilities. We are taking capacity from those data centers and obtaining empanelment in the name of RailTel.

Our data center business is our first priority today, and we are working very consciously and expeditiously to establish our presence in this segment.

Vishal Periwal – PL India: From a business point of view, when we build our own data centers, we provide services. But when we tie up with Anant Raj and Adani, how does the business model change compared with operating our own facilities?

Management: They provide the passive infrastructure that we have taken there. The data center services themselves will be provided by us. They provide the passive infrastructure that we are taking from them.

Vishal Periwal – PL India: I think that is all from my side, sir. I will come back in the queue.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question, you may press star and one on your touchtone telephone. A follow-up question comes from the line of Sanjesh with ICICI Securities. Please go ahead.

Sanjesh – ICICI Securities: Sir, just to clarify on the data center business: when you say that you are taking passive infrastructure from some passive infrastructure players, are we actually providing the cloud services? Are we installing our own servers and selling capacity on those servers? We are not actually renting the data center, correct?

Management: Yes, you are right.

Sanjesh – ICICI Securities: We are providing managed and cloud services; we are not actually providing the data center service.

Management: We are providing managed services. That is the right terminology. We have our own data centers, and we are also taking data centers on lease from others, such as these 2 players. The operations then become ours. We provide the managed services, set up our own servers, and lease the capacity.

Sanjesh – ICICI Securities: Are we planning to enter GPUs as well, or are we currently focused only on conventional servers?

Management: We are in the process of doing so, and you will see something in the news. We are working very hard on AI services. We have also started working on AI.

We are working on a project that is likely to come from the Railways for their AI requirements. Therefore, we are also working in AI. You have rightly pointed out that we have entered this area, and we are working on a few use cases.

Sanjesh – ICICI Securities: Understood. Will we be building SLMs, or will the SLMs belong to the Railways?

Management: It depends on the customer. If they want to retain them, these would certainly be SLMs, not LLMs. It depends on the discussions, and it would be premature to say anything at this stage.

Even if this happens, the use cases for the Railways will not be usable elsewhere. Indian Railways is a different organization with a very complex structure. Therefore, those use cases may not be used elsewhere.

Sanjesh – ICICI Securities: Understood. So it will be a completely air-gapped Railway—

Management: An air-gapped system, not on public clouds or anything of that kind.

Sanjesh – ICICI Securities: That is clear and very helpful, sir. Thank you very much.

Management: Thank you.

Operator: Thank you. Ladies and gentlemen, please note that this is the last intimation regarding the question. Please respond at the earliest to avoid any delay. If you wish to ask a question, you may press star and one. Thank you. As there are no further questions from the participants, I would like to hand the conference over to the management for the closing remarks. Thank you, and over to you, team.

Management: Once again, thank you to all the investors who participated in our investors' call. That is all I wanted to say. Thank you very much.

Operator: Thank you very much, sir. Ladies and gentlemen, on behalf of PL Capital, thank you for joining us. You may now disconnect your lines.

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