Management Discussion

Shruti - Investor Relations, Stellar Investor Relations
Thank you. Good afternoon, everyone, and thank you for joining us today. To discuss the H1 FY27 business performance, we have with us the senior management team represented by Mr. Sourajit Mukherjee, full-time director and chief executive officer, Mr. Suresh Maddali, chief financial officer. Additionally, we, uh, we also have Mr. Vinay Rao, chairman and managing non-executive director representing the board. Before we proceed with the call, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risk and uncertainties.

The company also undertakes no obligation to update any forward-looking statements to reflect developments that occur after the statement is made. Documents relating to the company's financial performance, including the investor presentation, has been uploaded on the stock exchange and the company's website. I now invite Mr. Sourajit Mukherjee to share his initial remarks on the company's performance, and then we will open the floor for the Q&A. Thank you, and over to you, sir.

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited
Thank you so much. Good afternoon, everyone. And thank you for joining us and for the trust you have placed in E2ERAIL since we listed. I am proud to share the strongest first half in our company's history. If I had to pick one number that tells you how far we have come, I would pick Rs 199 crores. That's the money we recovered from the invoices that were already outstanding when the year began. I'll come back to the full cash picture in a moment, but I wanted to start there because that result matters as much to me as the 45% growth we are reporting today.

When we listed, you invested in a team that knew how to deliver complex railway systems. We knew how to take signaling design from from paper to a live network and stand behind it after commissioning. Since the IPO, we have been building on that experience. We are bidding for larger, more complex projects, doing more engineering in-house, and through Nova, developing some of the safety products we want to put on those same railway projects we are doing. That combination of system integration and our own technology is how we position E2ERAIL today.

Think about what that means for the company you own. A team that has spent years solving problems on live railways now has a way to take what it learns in the field and put it into its own products. I'll share where we are on Kavach and why that capability matters well beyond the first order. Our full year revenue grew 47% in FY25 vis-à-vis the last year and 52% in FY26. And in the first half of FY27 itself, we grew 45.1% year on year from Rs 111 crore to Rs 161 crore. So we are carrying the similar pace of growth into this year, but on a larger base.

And we are heading into our busiest half with more work in hand, projects approaching commissioning, and stronger operating performance than we had a year ago. On a year-on-year basis, we added about Rs 50 crore of revenue in the first half. As we did that, staff and other expenses came down from 37% of revenue to about 31%. Our EBITDA went from a loss of Rs 1.46 crore to a profit of Rs 5.09 crores, and the loss after tax narrowed to 38% from Rs 7.31 crores to now Rs 4.53 crores only. It's a real change in what our first half contributes to the year.

As you know, Indian Railways spending and many of our commissioning and billing milestones fall later in the year. Over the past 3 years, H2 has accounted for around 70% of our annual revenue. That makes the work our teams finish and get certified over the next few months particularly

important. With what we have already delivered in H1 and the work we can see ahead of us, we are confident in sustaining a similar year-on-year growth pace with a full-year PAT margin broadly in line with FY26. Now let me come back to cash again.

We started the year with Rs 228 crore of opening receivables. By 12th November, we had collected Rs 199 crore of that, nearly 87%. Total cash collections, uh, to that- through that date were Rs 270 crore. At the September close, trade receivables were down 47% from March to Rs 121 crore, and trade payables had come down by about Rs 56 crore. Our finance and project teams went after those receivables bill by bill, and I want to recognize the work they have put in. In the March results, we reported a full-year operating cash, uh, negative cash flow of Rs 102 crores.

For the 6 months to September, it is at Rs 39 crores. Relative to the revenue in each period, the outflow is about 27% at March and 24% at September. The periods- so what we can see directly since March is the cash collected from older invoices and the sharp reduction in outstanding trade receivables. We still have work to do And, uh, there are some cash is still tied up in unbilled work and security deposits. When the team finishes the project, gets the customer certification, and raises the bill on time, we can collect that money and put it back to work.

That is the discipline we want across the business in H2 because it is how we keep growing and reduce negative operating cash flow further. Now the next question is that what we have to execute. We have brought in over Rs 700 crores in reported order intake so far this year. The order book has crossed Rs 1,000 crore and stands at around Rs 1,200 crore including GST. One of those wheels, if you Do give a closer look. Kala Huspi is a very large composite project, over 200 crores. A few years ago, uh, the projects we typically pursued were in the 20 to 60 crore range, but now we are progressing.

We are progressing from that ticket size to a much more larger 50 to 500 crore ticket size. So to win assignments of this size, our business development team had to spot opportunities early and bring engineers engineering and execution into the bid from day one. That is the kind of work that can move us into larger projects with greater responsibility. With about Rs 3,400 crores of opportunities at different stages of bidding, we have room to carry out momentum into H2 and to be selective about the work we take on.

Next. So now, uh, I suspect a few of you already had your first question ready before I even started. So when do we get the first Kavach order? So let me take that one now. We are targeting January 2027 for our first Kavach order, so that's about 2 months away, subject to the applicable approvals and customer decisions. But here is where we stand today. We received our CCA approval in May. The Kavach 4 hardware is ready and the ATP testing is underway with more than 100 people across Nova and Tata Elxsi working on the program.

If we meet this January target, we will have gone from CCA approval to a first order in about 8 months, and that is the fastest right now for any Kavach vendor, right, in India. That first order mattered because it would mark a commercial milestone for a product our teams have been building and testing. Testing and approvals continue on their own schedule, and our roadmap puts the start of revenue recognition in FY28. The projects we are executing today are what gives us confidence in H2. Kavach is where we start to see what our own products can add to that business.

Now coming to the execution part of it, that how Indian Railways needs to carry more freight and more people safely. That means upgrading signaling on busy routes, adding capacity, and improving the links between the main network and industrial customers. Our teams are already doing that work on live projects. Which puts us close to the problems customers want, want to solve next. We are

executing 73 projects including 54 B2G projects across 15 railway zones, and we have completed 9 B2G projects so far this year of all the active projects which we have been doing.

For all of us, the milestones we will watch in H2 are the commissioning, certification, and billing. Completing those trips across so many projects is what turns a large order book into results, and we can see it in the accounts. We are also building a broader customer base. Our private and industrial rail business has now 19 active projects and about Rs 303 crore in order value across sectors including steel, port, cement, and power. Those customers invest on their own schedules. As that business grows, it gives us more work to deliver across the year and less concentration around a single spending cycle.

And we are getting better at bringing the design and site teams together. We now have more than 60 design engineers in EDRC, and with Sutra, the automation tool, they can reuse proven designs and run more of the validations early. So if you have- if you are aware about a live railway system, you know what a design change late in the job can cost in time and work. Solving more of those issues earlier helps us to deliver on schedule and protect the margin we bid for. It also makes us a better partner for customers who want one team accountable from design through commissioning and support.

Now imagine being able to do that on a project using more of our own technology. That's the opportunity I see in NOVA. Kavach is the first program in which all of us are watching closely. NOVA Raksha takes the opportunity farther. It gives our engineers a common safety platform they can build on for products like electronic interlocking and axle counters. Those are systems we already integrate. Our site experience can tell us which features matter, what makes a product easier to deploy, and how customers will need to maintain it.

As we cut clear approvals and reach the market, we can retain a greater share of the value on a project and coordinate product delivery with the schedule on site. That can improve margins over time and give us more control over when we commit cash to procurement. There's also work to do after a system is commissioned. Maintenance and support can extend the customer relationship and create recurring revenue over life of the equipment. And that's how I think about our Rs 1,000 crore revenue vision for FY29.

The integration business gives us scale and a route to larger orders. Private and industrial rail broadens the customer base Our own products can add revenue and let us keep more of the value in the systems we deliver. Each part builds on capabilities we already have. How quickly we get there depends on how well we execute today's order book and how steadily we bring Nova's products through approval and into service. I also want to recognize a recent achievement by what- by our teams. So E2E Rail is now certified to ISO 45001:2018 for occupational health and safety and ISO 14001:2015 for environmental management, and has renewed its ISO 9001:2015 quality certification.

For the people who work on our sites and the customers who trust us with live railway systems, these standards matter. They are part of how we are building a safer, greener, and more responsible rail ecosystem. So for the balance of the year, we shall be closely monitoring whether the 45% growth pace into H2 holds the full year, and holding the full year PAT margin broadly in line with FY26, reduce negative operating cash flow further. On Nova, the next milestones we are working towards is the first Kavach order around January.

So the day I'm looking forward to is when an E2ERAIL site team commissions a system using technology its colleagues at Nova have built here in India. That's when you will be able to see on the

railway itself what we have been building since the IPO. So to our teams, thank you for earning these results. To our shareholders, Thank you for your trust and for holding us to commitments we make. We look forward to your questions.

Questions & Answers

Operator
Thank you. We will now begin the question and answer session. Participants who wish to ask a question may press star and 1 on your touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we'll wait for a moment while the question queue assembles. Participants who wish to ask a question may press star and 1 on your touchtone telephone. Participants who wish to ask a question may press star and 1 on your touchtone telephone.

Ladies and gentlemen, we have begun the question and answer session. Anyone who wishes to ask a question may press star and 1 on your touchtone telephone. Participants who wish to ask a question may press star and 1 on your touchtone telephone. We have the first question from the line of Lala Ram from Sabre Edge. Please go ahead.

Lala Ram - Analyst, Sabre Edge
Good afternoon.

Unidentified Speaker - Unidentified Speaker
Hi, good afternoon. I'm

Lala Ram - Analyst, Sabre Edge
New to the company. I'm new to the company. And also new to this sector of railways and on technologies. So it will be helpful if you can help us understand the business in layman's language for someone like us who can then evaluate the company from an investment lens.

Vinay Rao - Chairman and Managing Non-Executive Director, E2E Transportation Infrastructure Limited
Sure. So to sort of give you a sense of what is happening today in the railway business, right, Indian Railways is going through a significant modernization effort and introduction of new lines and technologies. Where we are in the spectrum is that we come in the signaling and telecom part of the equation. So if you look at Indian Railways you have 2 sides, you have the loco and then you have the infrastructure side. Infrastructure side is dominated by track, uh, to some extent stations and OHE.

And then there is signaling and telecom, right? Signaling and telecom is the end of that spectrum, which is from a complexity-wise very high, uh, and least commoditized. Margin-wise also is significantly better given the complexity involved, right? This signaling and telecom is the It's the driver that helps in 3 aspects. One is improvement of speed. For example, today Vande Bharats are being introduced, but for the Vande Bharat to run on that current network, the signaling and telecom has to sort of get upgraded significantly.

Otherwise, while the loco can run at 180 kilometers per hour, it is constrained because of the signaling challenges, right? Second, it is the key for improving density on the network, right? Now Indian Railways is trying to run both freight as well as passenger train on the same network, right?

And they're trying to introduce more and more trains with DFCC corridors coming up. There are more and more freight-related trains also which are coming up, right? For the density improvement to happen, again, the signaling technologies has to significantly be upgraded.

Which decreases the headway distance between the 2 trains on the same network. Right. Now, when you have increased the speed and when you have increased the density, the 3rd aspect comes in, which is the safety aspect, right? Because you're running high, you know, relatively high-speed trains, you're also running it at a very high density. So safety becomes very critical. Again, signaling is the system through which that safety is achieved. Kavach, for example, is one of the safety layers, but there are several other safety critical products that goes into the Indian Railways to make that whole network safe, right?

So you are in a, I would say, a situation where there is a significant generational shift that is happening on the technology front with several modern technologies across speed, density, and safety being implemented in parallel in the Indian Railway network to achieve this end goal, right? So that is the modernization drive that we are part of, and E2E Rail is in all the 3 segments, right? Some of our- I think a lot of, I would say, hype is given to the safety aspect of Indian Railways around Kavach, but there is also significant work that is happening on the density side through automatic block signaling, and a lot of work that is happening also on the speed side by through by implementation of electronic interlocking and ABS, right?

So we are present across these 3 efforts of Indian Railways, and we are a system integrator who today works very closely with Indian Railways as well as with OEMs, understands the complex requirements of Indian Railways, customizes the products of the OEMs like Siemens and, you know, Nippon and Hitachi and so on And then does the system integration where we customize those products, we install those products, we make those products interoperable with the existing subsystems of Indian Railways, right?

And while doing this, uh, you know, uh, we have to successfully make it interoperable and then we'll have to successfully commission it, right? So that is, that is, uh, that gives us tremendous amount of experience in terms of how to deal with multiple kinds of technologies, how to make it interoperable, how to sort of ensure that, you know, with the least amount of time spent on our mainline, we commission those projects, right? So hopefully this gives you a sense, but happy to answer if there are any specific questions there.

Lala Ram - Analyst, Sabre Edge
Thank you so much for laying the high-level framework. So the next follow-up question is that Hearing what you've said, this looks like highly technical work that we're doing. So can you help us understand how did our company acquire these technical capabilities, what is effectively the genesis of the company, the founders and the key employees, that would be helpful.

Vinay Rao - Chairman and Managing Non-Executive Director, E2E Transportation Infrastructure Limited
Sure. So I'll answer part of the question and I'll request Sourajit to answer the rest. But, you know, E2E Rail started 16 years back. As you rightly pointed out, these are complex technologies, require a fair bit of understanding, and this can, I think, only be acquired through years of experience on the ground while building successful credentials which are built through successful commissioning of these projects, right? So we have been in this business for 16+ years. The business started back in 2010.

The early part of our business we focused on engineering design, right, where we worked with end customers and OEMs to put together an engineering design plan that will eventually get implemented by system integrators on the ground, right. For the first 5 to 6 years we did that. We understood that very well, that sort of gave us a sense of the complexity of the of the signaling products that were being introduced into India at that point, right? Since 2017, we decided that we will also get into system integration business along with our engineering design business, right?

So we started bidding for these signaling projects in India. Early on, to build credentials, we had to work with PSUs like IRCON, RITES, and so on. So we took some of the hard projects from IRCON, RITES We successfully implemented those projects, which gave us the credentials that helped us basically start participating directly in the Indian Indian Railways mainline. Right? So since 2021, we started working directly with Indian Railways, and even with Indian Railways, with the credentials that we had, we again it was again a you know a proving session for us where we had to take up some of the most.

Complex projects like the Nizamuddin project in Delhi to be able to showcase our technical capabilities. We did that, we successfully were able to sort of demonstrate our technical capabilities that has helped us improve our credentials to which we can bid, right? So today with those proven credentials we are able to sort of bid for projects well above 200 crores. Which is what you're seeing that in the current year we already have a couple of projects which are 200+ crores, right? So with more and more complex projects being successfully commissioned, we are earning the credentials that give us the right to participate in higher projects, right?

So by 2023, we decided that there is a significant opportunity on the private siding side with all the learnings that we had built between engineering design, working with OEMs, with the PSUs, where we had already started working with some of the private sidings, and then with the Indian mainline railway. So in 2023, we started working on the private sidings part of the business. This is just to again put it in a very layman's term. All your ports, cement factories, steel, power generation facilities, all of them require last-mile connectivity to the mainline Indian railway.

With their own private siding, right, which is their private line. And that line needs to be maintained, that line needs to be constantly upgraded to meet the SLAs that the mainline Indian Railways has with respect to these businesses. So there is a constant opportunity of, of upgradation and modernization with the private siding players. We have taken a consulting approach where we Proactively work with these private sidings players, create a clear ROI report for them as to what is that they would be able to achieve if they are able to modernize their private sidings.

And then be sort of the L1 player to be able to sort of work with them closely. A lot of the times we are not L1 from a financial perspective, but when you add the technical capabilities, our financial, our ability to sort of give some of the best solutions, at the best price, we end up winning these projects. So today we work with close to about 19 private sidings. We have a couple more of them coming into the order book now, but this is across ports, cement, steel factories. A lot of them are with folks like Adani, JSW, Reliance, and so on.

So that is what we do on the private siding side, which we started back in 2023. 2025, you know, after about 15-odd years of bringing a lot of volumes in India with respect to these signaling technologies, we felt comfortable in terms of our own understanding of what it takes to sort of build these products. And of course, we have been integrating these products on the ground. So given that experience, we decided that we will go ahead and vertically integrate and build our own products in this space.

So in 2025 we started NOAH, our wholly owned subsidiary, and to further de-risk the safety-critical product that needs to be built we joined hands with Tata Elxsi to be able to sort of bring their couple of decades of applications that they're building on the safety-critical side in the auto sector. To the rail sector. So with them we are building the safety-critical products for the Indian Railways. And Kavach, as Sourajit mentioned, is our first product which is right now going through ATP testing with RDSO, ready to be sort of commercialized by, I would say, 3rd quarter of next year, right?

So order book of that will obviously start flowing early next year. But 3rd quarter of next year we should be close to commercializing this product. So that's been the journey. So there is already quite a bit of tailwind with respect to signaling modernization in India outside of Kavach as well. We are squarely in the middle of that and we're seeing a 45-50% year-on-year growth just by that. The product layer will create a significant moat for the business to go bid for for these businesses with a much more aggressive thought process while at the same time increasing our margin profile.

So the product side of the business will be a margin profile improvement cycle for us in the coming years while our system integration business continues to be the top line growth provider for us.

Lala Ram - Analyst, Sabre Edge
Thank you so much for the detailed answer. So if I can just understand a bit more about the product side that should lead to improvement in margins. So one is obviously the Nova thing, which is the Kavach-built product. Beyond that, what else is in the pipeline with respect to products for the company?

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited
Yeah, so as we have already mentioned in the presentation as well, so we are basically basically building a safety-critical hardware core. From there, there are multiple products which are in plans to get executed. So it's called Nova Raksha. So that basically one platform, one safety-critical platform certified for safety-critical applications, and then there will be multiple software applications according to the requirements and putting to the- through the approval process. So a couple of products, as I mentioned in my speech as well, electronic interlocking, axle counter, and there are upgraded train control systems which will be part of the portfolio of NOVA going forward.

Lala Ram - Analyst, Sabre Edge
Okay, so most of the products will be falling under NOVA entity. Is that understanding correct?

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited
Yes.

Lala Ram - Analyst, Sabre Edge
Okay, and these products would be for safety also and for even signaling buckets?

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited
So signaling-

Lala Ram - Analyst, Sabre Edge
Yeah, yeah.

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited
So signaling basically ensures safety and efficiency both, and then Efficiency, speed, and safety- all 3 of them. So, uh, all are- all will be part of the electronics and communications part of Indian Railways journey, or the railways, uh, railway technology modernization. And those- all those products will be having safety and efficiency part.

Lala Ram - Analyst, Sabre Edge
Okay, and can you help me understand the economics of, say, the system integration business, the economics of the engineering design business, and thirdly, the economics of the product-related businesses, from capital intensity to, you know, margin profile and return on investment capital, etc.?

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited
Yeah, I, I think I have- I- it would require a larger discussion forum to have the, the entire scenario to be discussed with you. But most of the, uh, most of our entire business profile and the margins profiles are provided in our annual report, last annual report. I'll request you to go through that. Plus, you are always welcome to have a one-on-one meeting with us after this call, and then there we can have a great discussion around explaining you the entire industrial ecosystem, how it works, and then what are the margin portfolios for each of our business lines.

Lala Ram - Analyst, Sabre Edge
Sure, I will be privileged for that. Can I take one more question?

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited
Yeah, please go ahead.

Lala Ram - Analyst, Sabre Edge
So, um, you know, when I look at your financials and as an investor, while we are obviously growing fast, guiding for fast growth, and margins are also expected to improve with the changing business mix, The one I think concern is around the cash flows which are generally negative because of receivables and government-linked business. So how should we look at this cash flow situation changing going forward and will you need more funding to support the strong revenue

Vinay Rao - Chairman and Managing Non-Executive Director, E2E Transportation Infrastructure Limited
Growth? See, I think one has to understand the nature of our business. And the measures that we're taking to sort of mitigate some of the challenges that you mentioned as well. So if you see, yes, the nature of our business, 70% of our business even today comes from Indian Railways. And Indian Railways- a couple of basic pointers on Indian Railways. Indian Railways is a very good paymaster. The moment there is an invoice that is sort of accepted, the payment times are less than, I would say, 30 days.

It comes in fairly quickly for us. Where we have a challenge with respect to Indian Railways is how the contracts are itself constructed, right? The projects that we take up with Indian Railways are typically BOQ projects, bill of quantities projects, and these projects have contract terms where

Typically we get about 80% of the price at which we sell an item to Indian Railways on day 1. Progressively the rest of the cash flows gets realized as milestones are met. I mean, there is no incremental work on the supply or the invoice that we have raised for Indian Railways, but there are separate line items for execution.

But the supply is linked to execution because of which as we complete execution progressively, additional cash flow gets released. There is a 5 to 10% release when there is a successful execution. There is another 5% that is released on commissioning and another 5% that gets released typically after the defect liability period is over. Now this 20% typically is what goes and sits in this unbilled revenue, which is what you see in the balance sheet. Having said that, I think one has to look how the unbilled revenue movement has been happening over years and you'll see that we have been- since we have been in the business for a fairly long time, you can see the unbilled revenue movement where year-on-year we have been able to successfully commission these projects and these unbilled revenues have kept progressively coming back into the ecosystem.

Now given this model, There is a rate at which we can grow keeping our operating cash flow neutral, right, which is lower than the growth that we're today seeing. Now if we have to continue to grow anywhere between 45-50% then the unbilled revenue buildup is going to be faster than what we can recover from the previous years, right, plus the margins. So what have we done? Clearly, we don't intend to slow down given the nature of the opportunity that is out there. We are in the middle of a significant modernization drive where we have the credentials, we have the know-hows, and we today are primarily positioned to win these tenders.

To give you a sense, I think our win rate in the first half of this year has been over 40%. So that's a fairly good win rate from a Win perspective. So we want to continue to grow. Now, if you want to continue to grow, then we have to do diversification of the business, or we have to increase our margin profile, which increases the amount of cash flow that comes into the system despite having an 80% sort of initial bill that is sort of paid by Indian Railways. Now, both of this has been sort of recognized and has started- one started in 2023 with private signings.

With private sidings, these kinds of contractual challenges are significantly lesser. Here where we're talking about 80% with Indian Railways, we're talking about 95% with respect to private sidings. So the contractual nature itself is quite different in private sidings, which increases the operating cash flow. Today that represents anywhere between 25-30% of the business, but we are constantly growing that business, so hopefully that business will start representing a much larger pie of the overall business.

So that should help us improve the cash flows in the system better. Second, we want to increase our margin profile. If we increase our margin profile, instead of today having roughly about- at a project level, we do anywhere between 17 to 18% project margin. We should be able to take it up anywhere between 23 to 26%. Now that again increases the amount of cash flow that comes back into the system despite our billing. So both of these activities will significantly improve the available cash flows.

There could be still some negative cash flows that come into the system as a result of the rate at which we're growing, but it is going to be substantially better than what it is or what it was before our IPO. So I'm going to leave it there, but I also want to give you this comfort that today this project or this, you know, model of operation is well understood by, you know, our debt providers. And our debt providers include some of the biggest banks of India, including SBI, ICICI, HDFC. They have taken comfort with the contractual requirements.

They have taken comfort with the way the operating cash flows comes in and they're supporting us with the debt that is required to sort of continue to grow at the pace that we're growing today. So just leaving it out there, hopefully that gives you a sense of how the operating cash flows will pan out without seeing reduction in the top line growth.

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited
Also just wanted to add that if you have seen that from March 2020 '26 to right now on H1, there has been a significant reduction in the operating cash flow and then a very spike in the receivables also. So we have managed to collect almost 87 to 90% of all the debtors which we had in March. So that basically reflects the way the business- to manage the financial discipline of the business, how we are

Lala Ram - Analyst, Sabre Edge
Thank you so much. It's very comforting to hear that. So with respect to requiring equity capital for supporting the next leg of growth, what is the stance today right now?

Vinay Rao - Chairman and Managing Non-Executive Director, E2E Transportation Infrastructure Limited
Could you repeat it? Sorry, we didn't get the question.

Lala Ram - Analyst, Sabre Edge
Do we foresee more equity capital for supporting the growth for the next 2 to 3 years?

Vinay Rao - Chairman and Managing Non-Executive Director, E2E Transportation Infrastructure Limited
So for maintaining the current growth, right, we're not seeing any additional equity requirement in the next 2 years at least, right. But if we do some nonlinear growth through acquisitions or some more products than what we have already planned for depending on the market opportunities, then we might look at raising equity, but that's a big might, right. I mean, a lot of things have to come together for us to be able to sort of look at good opportunities to acquire and so on. So only for that, for our business to continue to grow at this 40-45% CAGR for the next couple of years, we don't need-

Lala Ram - Analyst, Sabre Edge
Okay, am I audible? I think I got disconnected. Hello?

Operator
You're connected to management. Can you hear us?

Lala Ram - Analyst, Sabre Edge
I think the management got disconnected.

Operator
Ladies and gentlemen, give us a moment as we reconnect the management. Ladies and gentlemen, we have the management line connected right again. Mr. Lalak can go ahead with the question. Yes.

Lala Ram - Analyst, Sabre Edge
Yeah, so, um, I think we were talking about, uh, equity raise and the management said we do not

need in most likelihood unless there is any non-linearity.

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited
Right.

Lala Ram - Analyst, Sabre Edge
Sort of an opportunity. So, uh, I think one final question is to- if I were to say, uh, look at the industry landscape and, you know, evaluate you, how should I do that? Who are the competitors? How should I understand the industry and the, you know, competitive landscape?

Unidentified Speaker - Unidentified Speaker
Can you please repeat your question, please?

Lala Ram - Analyst, Sabre Edge
The question is, um, who are your key competitors with whom you compete in this, uh, you know, tenders? And, uh, generally on what basis, uh, do you win these contracts? Uh, that was the question.

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited
Yeah, so, uh, generally, uh, see, on the signaling and telecom, you will have, uh, these large PSUs like Aircel and RVNL, RailTel, say Texmaco, KECs. So this- these are the people who comes for the, the signaling and telecom larger orders. Then there are some local players also which are restricted geography, restricted players who unlisted geography listed players who are also sometimes comes for these signaling tenders who have been working. See, signaling is a very specific- specified field, right?

And the domain knowledge is very focused on. So the number of competition over here has grown over the years, but it's, it's not like, uh, it's not like civil or other infrastructure part of it. So it's still restricted. But we, uh, where right now we are seeing large names are getting interested, and then that's what we are right now competing with all of them.

Lala Ram - Analyst, Sabre Edge
Okay, and you said- Sorry to interrupt

Operator
You, Mr. Lala. Request to kindly come back in queue for follow-up questions.

Lala Ram - Analyst, Sabre Edge
Okay, sure. Thank you.

Operator
We have the next question on the line of Kapil Advani from Aad Growth Fund. Please go ahead.

Lala Ram - Analyst, Sabre Edge
Hello, I'm audible?

Operator
Yes, yes, we can hear you.

Lala Ram - Analyst, Sabre Edge
Uh, hello sir, congratulations for the gate holder numbers. Uh, hi sir, sir, my first question is, uh, just a follow-up on the 20% of the orders that we are- we will get eligible to bid in December or Jan, that is correct?

Vinay Rao - Chairman and Managing Non-Executive Director, E2E Transportation Infrastructure Limited
For Kavach, you're talking about,

Lala Ram - Analyst, Sabre Edge
Right?

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited
For Kavach, the prototype- once the prototype approval comes, uh, we should- we'll be able to bid for all 20% of all the tenders. For the locomotive, for- as for the station Kavach, we are eligible also today. So that's, that's, that's not a- nothing to stop us for taking a Kavach station order.

Lala Ram - Analyst, Sabre Edge
Got it. So this will be in, uh, December or early Jan?

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited
So we are right now- see, we are, we are trying to see the exact- so as you know, Indian Railways, we have been working with them, and then there are strong signals that we should be getting our first order around January. So that's, that's the thing right now which we can mention.

Lala Ram - Analyst, Sabre Edge
Okay. However, we are

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited
Bidding a few of the station cover tenders in, in November-December itself.

Lala Ram - Analyst, Sabre Edge
Okay, that is in the pipeline. Got it. And then when can the company start bidding for Kavach orders, uh, the rest of the 80%, that is the big ticket size? And what is the incremental working capital will that require?

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited
See, uh, for the, uh, getting eligible for the entire, uh, Kavach locomotive, we are- when we are talking about the locomotive part only, right? Because station coverage, for 100% of the orders, we are already eligible, so we can bid. Uh, for the locomotive only, for the 80% thing, So once the field trials are completed, at that point of time only we will be eligible for getting the other 80%. So that, that will take some time, around a year at least.

Lala Ram - Analyst, Sabre Edge
Okay, so that is the final field trial for passenger trains?

Vinay Rao - Chairman and Managing Non-Executive Director, E2E Transportation Infrastructure Limited
Yeah, the milestone for that is field trial completion. So once the field trial is completed, right, we'll then become eligible for all all the rest of the 80% of the orders as well, right? And again, just on the locomotive. On the station coverage, we, we are building the order book as we speak. We will continue to build that.

Lala Ram - Analyst, Sabre Edge
Okay. And sir, uh, there is an industry-wide, uh, criteria that you can build the order book prior to the field trial approval. Is that correct?

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited
Yes. No, before the field trial approval? Yes, yes, yes. You can always build the order book, uh, So that's basically eligible, makes you eligible after the prototype approval itself. That is the 20% order book which you had, we just asked. That's the 20%.

Lala Ram - Analyst, Sabre Edge
Okay, so I was looking at the Quadrant and they are now getting into the field trials for the passenger approvals, but they have already built the inventory and the orders. They're also getting the orders for locomotives. So they have built a huge inventory and order book, but they will be able to deliver once the final field trial approval is in their hand. Yes. Yeah, okay. So what is the mechanics of that, uh, the working capital that we need to bid the Kavach orders, the EMDs, or the initial capital?

Vinay Rao - Chairman and Managing Non-Executive Director, E2E Transportation Infrastructure Limited
So in our case, I think it is slightly- it might be slightly different because see because we already have a system integration arm and we are already bidding and we are already participating in this tender. So for us it is business as usual as the, as the Kavach, uh, you know, tenders come up, right? Now in our case, I think, uh, that part of the equation, EMDs and so on, is part of the larger order book that we, we have planned for, right? And we, we gave- we have sort of given this indication that by FY29 So in 2019 we will get towards Rs 1,000 crore revenue and the Rs 1,000 crore revenue will be a composite of new Kavach-related tenders as well as our existing business.

So we're not seeing any incremental- I mean, of course there's going to be incremental working capital but it is not something which is not part of our equation already. Now in terms of the inventory buildup, See, that will, in our opinion, we'll have to be a little bit more strategic, right? We should have a reasonable handle on the field trial approval timelines. And a couple of months before the field trial approval, we would start building up the inventory for the order that we would have already sort of built up by then, right?

So in In my mind, I'm not seeing too much pressure coming into the system because of either Kavach tenders coming as part of the larger tendering that we do, nor will the inventory buildup be that high to affect our working capital in a significant manner. We today, I mean, for example, even for electronic interlocking and axle counters and all of that, we have a working capital cycle. Right, where we procure it from the OEMs sometimes with partial advance, sometimes with credit, but the billing cycle with the end customer, you know, we already have that working capital cycle.

So this is well understood for us. We're not seeing incremental pressure on the system because of this.

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited
So basically we already have a Rs 1,200 crore order book, right, we have working capital factored for that and then this this order book is without Kavach right now. And then with, with Kavach also, it is just part of another part of the line of work which we are going to do, and it's the working capital will be around with that. So there will not be too much pressure on any type of working capital. The other companies which you are seeing are the only single product manufacturer, so that's, that's why they have a different way of looking working capital and inventories.

Lala Ram - Analyst, Sabre Edge
Got it. And so can you just give a flavor of how the money flows into the bidding? Like for a Rs 1,000 crores or Rs 500 crores of Kavach Loco order, how much money we need to put in advance or the tender money, EMDs and all of that?

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited
EMDs are for, for every tender it is same, it is around 2%. Of the advertised tender value, and it can be given in bank guarantees, bank guarantees post the tender. Obviously, during the execution, it's a continuous basis how you want to do though. But for every order, it will be. And then once you are there, we have received the order, you don't have to give any performance bank guarantee, you will give an insurance security bond. So Indian Railways have allowed that right now, which is a significant relief for all the players over here.

And now then we- you get to the normal working capital cycle for the project itself, which typically is around 25%, 25 to 30% of the overall Order.

Vinay Rao - Chairman and Managing Non-Executive Director, E2E Transportation Infrastructure Limited
Revenue. See, where we have somewhat more handle is how fast can we integrate Kavach into the ecosystem and commission the projects, right? I think that's where our expertise lies given our system integration background. So our ability to convert an order book into revenue And then revenue to cash flows, uh, you know, system integration becomes a significant differentiation.

Lala Ram - Analyst, Sabre Edge
Understood. And sir, just one more question on the Kavach approval. As the delivery of these Kavach loco orders depends on the final approval, there must be an order delivery timeline because you are getting the orders before the approvals, but you need to deliver at a certain point of time, there is a limit. So the order must be- can be lapsed or retendered again. So is that the correct understanding?

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited
Loco or station you are talking about?

Lala Ram - Analyst, Sabre Edge
Loco.

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited
For locomotive, it is 12 months strict timelines. After that, it expires. So, uh, so once you are- you get, uh, Kavach order for locomotives, from that day you have 12 months to prove your field trial and give- fit it in the- and supply and fit it in the locomotive itself. So that's, that's the- that's a very strict timelines on the locomotives. After that, if you are not able to fulfill that, that part of that, that tender will be retendered. And that has already happened for a few of the companies.

Lala Ram - Analyst, Sabre Edge
Right.

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited
But station, you have a much larger timelines because that's a part of the, uh, the entire, entire systems contract. And then that is around 2 years, 2 and a half years. It is- it has timelines, and then it can also get extended because there are other, uh, other peripheral systems have to be installed alongside with that, and it is dependent on a lot of, a lot of the other related works along with that. So station coverage, you will, you will get ample of time, and that is the reason we are getting in right now itself, uh, and we are, we are, we will be starting actively bidding for the station coverage because it, it has time.

Lala Ram - Analyst, Sabre Edge
Got it. And what are the terms, uh, with the Tata? In Kavach and in any other product from Nova Raksha?

Vinay Rao - Chairman and Managing Non-Executive Director, E2E Transportation Infrastructure Limited
Yeah, so again, I mean, this is a frequent question that we get. Just to put down the basic norms out there, the entity which is going to get approved by RDSO for You know, supplying Kavach is going to be NOAH, which is going to be a wholly owned subsidiary of E2E Rail. So the OEM in this case, NOAH, is a wholly owned subsidiary of E2E Rail. NOAH is supplying Kavach to E2E Rail. E2E Rail is participating in tenders and winning the tenders, and along with supplying Kavach, it is also going to supply many other components as part of the system package.

Packages that are required to successfully commission a particular, you know, Kavach installation, right. Now the joint development agreement that we have with Tata Elxsi is only on the development side and the IP that is generated by the development is going to be shared 50-50 and the investment from both parties also is going to be 50-50, right. Now how does it translate to Tata Elxsi? For Tata Elxsi, the core Kavach product, which is the core Kavach hardware, right, is something that the cost of that product that is ultimately supplied to Indian Railways, there is going to be a component of that which comes in as royalty to Tata Elxsi.

Tata Elxsi, right? So Tata Elxsi recognizes a royalty there. Uh, in the past I've given this number: if there is a Rs 100 Kavach product that is finally sold to Indian Railways, uh, roughly about Rs 10 to Rs 12 accrues to Tata Elxsi as the, uh, as the component which is, which is going towards the royalty, right? But of course several more work has to be done between Nova and E2ERAIL to be able to sort of build a Rs 100 product. But that's how the equation flows.

Lala Ram - Analyst, Sabre Edge
Understood. And sir, this royalty is based on the total sale price from E2E, not the selling price of Nova to E2E?

Vinay Rao - Chairman and Managing Non-Executive Director, E2E Transportation Infrastructure Limited
Correct, correct.

Lala Ram - Analyst, Sabre Edge
Got it. And sir, how much total intangibles we are expecting from Nova, Kavach, and Kavach separately?

Vinay Rao - Chairman and Managing Non-Executive Director, E2E Transportation Infrastructure Limited
See, I think- so this is a little bit of proprietary information, but I can tell you that we have budgeted the cost of development as part of our IPO fundraise. So we're not looking for incremental money to come in to fund the development there.

Lala Ram - Analyst, Sabre Edge
Okay, and the Tata is sharing 50-50 in that expense too?

Vinay Rao - Chairman and Managing Non-Executive Director, E2E Transportation Infrastructure Limited
Absolutely.

Lala Ram - Analyst, Sabre Edge
Okay, so from that perspective, Tata will also be a shareholder in Nova Raksha products?

Vinay Rao - Chairman and Managing Non-Executive Director, E2E Transportation Infrastructure Limited
No, they're going to be an IP holder of the platform, right? Uh, Kavach, right? Uh, Kavach hardware specifically. Any future products that we develop, uh, it has to be a- it has to be on a one-on-one basis given that both of us are public companies. Specific approvals will have to be taken, uh, from both the boards to, uh, you know, co-develop additional products. As of now, what the 2 boards have approved is for Kavach co-development.

Lala Ram - Analyst, Sabre Edge
Okay, but Novaraksha is, uh, is a platform from which Kavach is getting introduced. So they will own the IT and hardware rights for 50/50 rights for Nova Raksha? Is that-

Vinay Rao - Chairman and Managing Non-Executive Director, E2E Transportation Infrastructure Limited
Not necessarily, uh, because the, the Raksha platform- see, ultimately, if you make a new product, right, what component of that product is reusable from the IP that was co-developed will determine if there is going to be that kind of a, you know, share, right? So in a lot of those cases, you know, it might be well significantly lesser than 50%. It's basically the platform which we

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited

Have developed over here, but for the other extended products, there will be some sort of customization on the hardware itself to get into the mean the actual product application. So, uh, obviously on the product platform, um, we will be having some engagement, but not obviously like similar like ours.

Lala Ram - Analyst, Sabre Edge
Understood. Thank you, sir. Thank you for answering, uh, all the questions. Thank

Operator
You. Thank you. Thank you. Participants who wish to ask a question may press star and 1 on your touchtone telephone. We have the next question on the line of Nitesh Turinja from an individual investor. Please go ahead.

Nitesh Turinja - Individual Investor
Sir, I want to know that your, uh, H2 '25 OPM was 23%, H2, uh, March '26 was 15%. And what do you think about the H2 March '27 OPM?

Vinay Rao - Chairman and Managing Non-Executive Director, E2E Transportation Infrastructure Limited
Uh, sir, one has to look at our- I mean, we- it is very hard to look at our business, uh, in terms of, uh, H1 and H2 margins, right? Uh, because the margins is a pure result of, uh, the kind of supplies and the level of supplies that is involved Right. There could be half-yearly numbers where the half-yearly numbers reflect a higher execution versus supply, in which case the margin gets pulled down. A better way to look at it is trailing 12 months because in any trailing 12 months all of these kinds of variations will be sort of accounted for.

Like if you look at our current trailing 12 months, our current trailing 12 months, you will see that we have done about 430 crores of revenue. Just one second, I'm just getting into that slide. Yeah, so if you look at our current trailing 12 months, we are at about 430 crores of revenue. And if you look at our margins as well, We're consistent, I think it is about 4.55% margin, which is slightly above FY26 margin of 4.42% but roughly in the same range. So a better way to look at our business is trailing 12 months rather than looking at it as H1 to H1 or H2 to H2.

Nitesh Turinja - Individual Investor
Okay. You're talking about this 4.55% PAT?

Vinay Rao - Chairman and Managing Non-Executive Director, E2E Transportation Infrastructure Limited
4.55% of PAT, which is sort of consistent with- so as I said, all the variations in terms of our execution execution versus supply margins, you know, being lower on execution and higher on supply. All of this sort of gets normalized if you take a 12-month basis.

Nitesh Turinja - Individual Investor
Actually, FY25, '26, and '24, your OPM was 11%, okay, annually. And what do you think about the March '27 OPM?

Vinay Rao - Chairman and Managing Non-Executive Director, E2E Transportation Infrastructure Limited
Correct, sir. It will be in the range of 10 to 11%. I think we are not going to see any difference in, uh,

in, in that, right? So you will see that FY27 will have an operating margin of between, uh, you know, 10 to 11% there.

Nitesh Turinja - Individual Investor
Okay, okay, sir. Thank you.

Vinay Rao - Chairman and Managing Non-Executive Director, E2E Transportation Infrastructure Limited
Yeah, so you can refer to our slide number 10 in the investor presentation that we sent. That has- that slide is dedicated to giving you a sense of how the FY27 numbers might play out.

Lala Ram - Analyst, Sabre Edge
Thank you very much.

Operator
Thank you. We have the next question on the line of Lala Ram from Sabre Edge. Please go ahead.

Lala Ram - Analyst, Sabre Edge
Thank you. Um, one question on the interest cost. So right now, what is the cost of debt? And is there a scope for any improvements there?

Vinay Rao - Chairman and Managing Non-Executive Director, E2E Transportation Infrastructure Limited
Yeah, so I'll hand it over to our CEO to answer this question. Cost of debt and any improvement that is possible in cost of debt.

Suresh Maddali - Chief Financial Officer, E2E Transportation Infrastructure Limited
Yeah, definitely, you know, uh, current cost of debt. So the current cost of debt is around average 11% now. So definitely with the record collections coming in and, uh, the other project closes, what we will see is- and I know this is definitely going to come down. And also we are exploring, you know, other options where cost of debt is lesser than this.

Lala Ram - Analyst, Sabre Edge
Okay, so post IPO we have Have you applied for any rating upgrades, etc., to reduce the cost of debt?

Sourajit Mukherjee - Full-time Director and Chief Executive Officer, E2E Transportation Infrastructure Limited
So, um, on a blended total cost of capital, what we have right now is around 9%, right? And continuously the finance team has been working with the various banks and all the instruments. We are exploring all the instruments including the InvoiceSmart and the trades platforms, all the discounting platforms and the banks, and continuously engaging with the banks to reduce the interest part of it, interest components of it. So the process is on. We have already significantly reduced some in terms of the margin money which we used to give our earlier.

So, so, and now the, now the entire effort is going around getting the margin money from around level of 25% to around 15%. And with obviously the growing revenues and the profitability, the banks are also supporting. And, uh, and then we believe that we will be able to further lower the cost of capital

Lala Ram - Analyst, Sabre Edge
Thank you so much.

Operator
Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

Vinay Rao - Chairman and Managing Non-Executive Director, E2E Transportation Infrastructure Limited
Yeah, um, no, thank you folks, uh, for joining in. Um, as, uh, Sourajit mentioned at the beginning of the call, um, we have We've had a record H1 where we have grown 45% year on year. I think some salient features of our business which I want to just repeat is that given the nature of the business and the nature of the customer that we have, typically H2 is significantly larger for us than H1. We have typically seen this ratio of 70-30 playing out where H2 revenues are and profit profitability is 70% compared to H1.

Given that our fixed cost is spread over 12 months equally, typically our H1 ends up giving us significantly lower PAT, right, while H2 where the revenue sort of more than doubles, you know, gives us a significantly higher PAT margin. Our forward-looking guidance at this stage remains unchanged. We are looking at achieving the numbers that we had promised at the beginning of the year. This is backed by a significant order win that we have had in the first half of the year where we have added over Rs 700 crores of new order book into the business.

Post-IPO, our ability to participate in bigger tenders as well as, you know, be aggressive given our investments in the EDRC team has gone up. The net result of all of this is our order book to revenue coverage is improving. We should end this year with an order book coverage of at least 2x to the revenue that we're looking to do next year, right, which is very different from what it was at the beginning of this year where typically- I mean, I think we started this year with about 500-odd crores of open order book, right.

So that is almost a 1:1 coverage. Which is now shifting to 2:1 coverage. So our ability to sort of smoothen some of the supplies between H1 and H2 will also improve, but this is still determined by how the end customer would like us to sort of bill and their own budget cycles, right? But it will improve. And what we're seeing from our end is full throttle, whether it is on our system integration business or on our product business. So some of the questions that you asked about maintaining top-line growth will continue to happen, but we are very actively focused on improving our margin profile with vertical integration with the NOAH business.

So I just want to reiterate that the fundamentals of the business are very strong, they are getting better, and they will get significantly better. We're entering into a phase in our business where we will continue to grow 45-50% from a top line perspective, but we'll also augment the growth in our margin profile, which is going to be a lot more than 45-50% as the product line of our business sort of takes shape. Yeah, we're always available to answer any specific questions one-on-one, so please feel free to reach out.

And we'll be happy to answer those questions. Thank you.

Operator
Thank you. On behalf of E2E Transportation Infrastructure Limited, this concludes the conference. Thank you for joining us, and you may now disconnect your lines.