"E To E Transportation Infrastructure Limited

H1 FY27 Earnings Conference Call"

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MODERATOR: **MS. SHRUTI – STELLAR INVESTOR RELATIONS**

Moderator: Ladies and gentlemen, good day, and welcome to the H1 FY27 Earnings Conference Call for E To E Transportation Infrastructure Limited. 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 star and then zero on your touchtone phone. I now hand the conference over to Shruti from Stellar Investor Relations. Thank you, and over to you.

Shruti: 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, Whole-time Director and Chief Executive Officer; Mr. Suresh Maddali, Chief Financial Officer. Additionally, we also have Mr. Vinay Rao, Chairman and 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 risks 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: Thank you so much. Good afternoon, everyone, and thank you for joining us and for the trust you have placed in e2E Rail 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 INR199 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 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 e2E Rail 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-a-vis the last year and 52% in FY26.

And in the first half of FY27 itself, we grew 45.1% year-on-year from INR111 crores to INR161 crores. 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 INR50 crores 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 INR1.46 crores to a profit of INR5.09 crores and loss after tax narrowed to 38% from INR7.31 crores to now INR4.53 crores only. It's a real change in what our first half contributes to the year.

As you know, Indian railway 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 INR228 crores of opening receivables, by 12 November, we had collected INR199 crores of that nearly 87%.

Total cash collections through that date were INR270 crores. At the September close, trade receivables were down 47% from March to INR121 crores and trade payables had come down by about INR56 crores. Our finance and project teams wait 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 negative cash flow of INR102 crores. For the 6 months to September, it is at INR39 crores. Relative to the revenue in each period, the outflow is about 27% at March and 24% at September. The period -- 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 there are some cash is still tied up in unbilled work and security deposits. When the team finishes the project, get 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 INR700 crores in reported order intake so far this year. The order book has crossed INR1,000 crores and stands at around INR1,200 crores, including GST. One of those wins, if you give a closer look Kalahasti is a very large composite project over INR200 crores.

A few years ago, the projects we typically pursued were in the INR20 crores to INR60 crores range. But now we are progressing. We are progressing from that ticket size to a much more larger INR50 crores to INR500 crores ticket size. So to win assignments of this size, our business

development team had to spot opportunities early and bring engineering and execution into the bid from the day 1.

That is the kind of work that can move us into larger projects with greater responsibility. With about INR3,400 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. So now 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 for 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 in India.

That first order matters 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 road map 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 link 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 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 work in H2 are the commissioning, certification and billing. Completing those steps 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 waste business has now 19 active projects and about INR303 crores 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 the single spending cycles 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 to 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 further. 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 matters, what makes the product easier to deploy and how customers will need to maintain it.

As 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 the 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 INR1,000 crores revenue vision for FY29. The integration business gives us scale and 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 the recent achievement 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 e2E Rail site team commissioned 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 commitment we make. We look forward to your questions. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. We have the first question from the line of Lala Ram from Sabre Edge. Please go ahead.

Lala Ram: Good afternoon.

Vinay Rao: Hi, good afternoon.

Lala Ram: I am 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 a layman language for someone like us who can then evaluate the company from an investment lens?

Vinay Rao: Sure, so to sort of give you a sense of what is happening today in the railway business, 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 signalling and telecom part of the equation.

So, if you look at Indian Railways, you have two sides, you have the locos and then you have the infrastructure side. Infrastructure side is dominated by track to some extent, stations and OHE and then there is the signalling and telecom. Signalling and telecom is the end of that spectrum which is from a complexity-wise very high and least commoditized, margin-wise also is significantly better given the complexity involved.

This signalling and telecom is the driver that helps in three aspects. One is improvement of speed. For example, today Vande Bharat are being introduced, but for the Vande Bharat to run on that current network, the signalling and telecom has to sort of get upgraded significantly. Otherwise, while the loco can run at 180 kilometer per hour, it is constrained because of the signalling challenges.

Second, it is the key for improving density on the network. Now Indian Railways is trying to run both freight as well as passenger trains on the same network and they are trying to introduce more and more trains. With DFCC corridor coming up, there are more and more freight-related trains also which are coming up.

For the density improvement to happen, again the signalling technologies has to significantly be upgraded, which decreases the headway distance between the two trains on the same network. Now when you have increased the speed and when you have increased the density, the third aspect comes in, which is the safety aspect. Because you are running high, relatively high-speed trains, you are also running at a very high density, so safety becomes very critical.

Again, signalling 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. 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.

So that is the modernization drive that we are part of and e2E Rail is in all the three segments. 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 signalling and a lot of work that is happening also on the speed side through implementation of electronic interlocking and ABS.

So we are present across these three 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, 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. And while doing this, we have to successfully make it interoperable and then we have to successfully commission it.

So that gives us a 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, with the least amount of time spent on a mainline, we commission those projects. So hopefully this gives you a sense, but happy to answer if there are any specific questions there.

Lala Ram: Thank you so much for laying the high-level framework. So the next follow-up question is that hearing what you have said, this looks like highly technical work that we are 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: Sure. So I will answer part of the question and I will request Sourajit to answer the rest. But 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.

So we have been in this business for 16 plus years. The business started back in 2010. The early part of our business, we focused on engineering design, 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.

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 signalling products that were being introduced into India at that point. Since 2017, we decided that we will also get into the system integration business alongwith our engineering design business.

So we started bidding for these signalling 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 Railways mainline.

So since 2021, we started working directly with Indian Railways and even with Indian Railways with the credentials that we had, it was again 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 to our credentials to which we can bid. So, today, with those proven credentials, we are able to sort of bid for projects well about INR200 crores, which is what you are seeing in the current year, we already have a couple of projects which are INR200 plus crores.

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. 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 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, 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 upgradation and modernization with the private siding players. We have taken a consulting approach where we proactively work with these private siding 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 we sort of are the L1 player to be able to 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 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 of 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's, JSW, Reliance and so on. So, that is what we do on the private siding side, which we started back in 2023. In 2025, after about 15 odd years of bringing a lot of OEMs into India with respect to these signalling 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 NOVA, 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 are building on the safety critical side in the auto sector to the rail sector.

So, with them, we are building this 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, third quarter of next year.

So, order book of that will obviously start flowing early next year, but third 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 signalling modernization in India outside of Kavach as well.

We are squarely in the middle of that and we are seeing a 45% to 50% year-on-year growth just by that. The product layer will create a significant moat for the business to go bid 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: 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 building the product. Beyond that, what else is in the pipeline with respect to products for the company?

Sourajit Mukherjee: So, as we have already mentioned in the presentation as well, we are 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 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: Okay, so most of the products will be falling under NOVA entity. Is that understanding correct?

Sourajit Mukherjee: Yes.

Lala Ram: Okay and these products would be for safety also and for even signalling buckets in terms of high level?

Sourajit Mukherjee: So, signaling basically ensures safety and efficiency both and then efficiency, speed, and safety, all three of them. So, all will be part of the electronics and communications part of Indian Railways journey or the railway technology modernization. And all those products will be having safety and efficiency part.

Lala Ram: Okay. And can you help me understand the economics of say, the system integration business, the economics of engineering design business, and thirdly, the economics of the product related businesses? Some capital intensity to margin profile and return on investment capital, etcetera?

Sourajit Mukherjee: Yes. I think, it would require a larger discussion forum to have the entire scenario to be discussed with you. But most of our entire business profile and the margins profiles are provided in our annual report, last annual report. I will 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: Sure. I will be privileged for that. Can I take one more question?

Sourajit Mukherjee: Yes, please go ahead.

Lala Ram: So, when I look at your financials and as a investor, while we are obviously growing fast, guiding for fast growth, and margins are also expected to improve with the change in 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 this strong revenue growth?

Vinay Rao: See, I think, one has to understand the nature of our business, right, and the measures that we are taking to sort of mitigate some of the challenges that you mentioned as well, right? So, if you see, yes, the nature of our business, 70% of our business even today comes from Indian Railways, right, 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 themselves 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 one, right?

Progressively, the rest of the cash flows gets realized as milestones are submitted. 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 flows get released, right?

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, right? Now, this 20% typically is what goes and sits in the unbilled revenue, which is what you see in the balance sheet, right?

Having said that, I think one has to look at how the unbilled revenue movement has been happening over years, and you will see that 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, right?

Now, given this model, there is a rate at which we can grow keeping our operating cash flow neutral, which is lower than the growth that we are today seeing, right? Now, if we have to

continue to grow anywhere between 45% to 50%, then the unbilled revenue buildup is going to be faster than what we can recover from the previous years, plus the margins.

So, what have we done? I mean, clearly we don't intend to slow down, given the nature of the opportunity that is out there, right? We are in the middle of a significant modernization drive, where we have the credentials, we have the know-how, and we today are primarily positioned to win these tenders, right? To give you a sense, I think our win rate in the first half of this year has been over 40%, right? 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 paid by Indian Railways.

Now, both of these have been recognized and have started -- one started in 2023 with private sidings. With private sidings, these kinds of contractual challenges are significantly lesser. Here, where we are talking about 80% with Indian Railways, you are talking about 95% with respect to private sidings, right? So, the contractual nature itself is quite different in private sidings, which increases the operating cash flow.

Today, that represents anywhere between 25% to 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%. Right?

Now, that again increases the amount of cash flow that comes back into the system despite our billing, right? 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 are growing, but it is going to be substantially better than what it is or what it was before our IPO, right?

So, I'm going to leave it there, but I also want to give you this comfort that today this project, or this model of operation is well understood by 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 come in, and they are supporting us with the debt that is required to continue to grow at the pace that we are growing today, right? 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: Also just wanted to add that if you have seen that from March 2026 to right now in H1, there has been a significant reduction in the operating cash flow and 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 focused at.

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

Vinay Rao: Could you repeat it? Sorry, we didn't get the question.

Lala Ram: Do we foresee more equity capital for supporting the growth for the next 2 to 3 years? That's the question.

Vinay Rao: So, for maintaining the current growth, right, we are not seeing any additional equity requirement in the next 2 years at least, right? But if we do some non-linear 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?

A lot of things have to come together for us to be able to look at good opportunities to acquire and so on, right? So only for that, for our business to continue to grow at this 40% to 45% CAGR for the next couple of years, we don't need…

Moderator: Ladies and gentlemen, give us a moment as we reconnect with the management. Ladies and gentlemen, we have the management line connected again. Mr. Lala, you can go ahead with the question? Yes.

Lala Ram: Yes. So, I think we were talking about equity raise and the management said we may not need in most likelihood unless there is a non-linearity sort of an opportunity. So, my final question is, if I were to say, look at the industry landscape and then evaluate you, so how do I do that? Who are the competitors? How do I understand the industry in the competitive landscape?

Sourajit Mukherjee: Can you please repeat your question, please?

Lala Ram: The question is, who are your key competitors with whom you compete in these tenders, and generally on what basis do you win these contracts? That was the question.

Sourajit Mukherjee: Yes. So generally, see on the signaling and Telecom, you will have these large PSUs like IRCON and RVNL, RailTel, say Texmaco, KECs. So, these are the people who come for the signaling and Telecom larger orders. Then there are some local players also, which are geography restricted players who are unlisted geography listed players who also sometimes come for these signaling tenders who have been working.

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

Lala Ram: Okay. And you said that, very interesting number...

Moderator: Sorry for interrupt you Mr. Lala, request you to kindly come back in queue for follow-up questions.

Lala Ram: Okay. Sure. Thank you.

Moderator: We have the next question on the line of Kapil Adwani from Aarth Growth Fund. Please go ahead.

Kapil Adwani: Hello. Am I audible?

Sourajit Mukherjee: Yes, we can hear you.

Kapil Adwani: Hello, sir. Congratulations for the great set of numbers.

Sourajit Mukherjee: Hi.

Kapil Adwani: Hi, sir. Sir, my first question is, just a follow-up on the 20% of the orders that we will get eligible to bid in December or Jan. That is correct?

Sourajit Mukherjee: For Kavach, you are talking about?

Kapil Adwani: Right.

Sourajit Mukherjee: For Kavach, the prototype -- once the prototype approval comes, we will be able to bid for all 20% of all the tenders for the locomotive. And for the station Kavach we are eligible also today. So that's anything to stop us from taking a Kavach station order.

Kapil Adwani: Got it. So this will be in December or early Jan?

Sourajit Mukherjee: So, we are right now -- see, we are trying to see the exact. So as you know Indian Railways, we have been working with them and there are strong signals that we should be getting our first order around January. So that's the thing right now which we can mention.

Kapil Adwani: Okay.

Sourajit Mukherjee: However, we are bidding few of the station Kavach tenders in November, December itself.

Kapil Adwani: Okay. That is in the pipeline.

Sourajit Mukherjee: Yes.

Kapil Adwani: Okay. And sir, when can the company start bidding for Kavach orders, the rest of the 80%, that is the big ticket size, and what is the incremental working capital will that require?

Sourajit Mukherjee: See, for getting eligible for the entire Kavach locomotive, when we are talking about the locomotive part only, right? Because station Kavach for 100% of the orders, we are already eligible. So we can bid. For the locomotive only, for the 80% thing, once the field trials are completed, at that point of time only, we will be eligible for getting the other 80%. So that will take some time, around a year at least.

Kapil Adwani: Okay. So that is the final field trial for passenger trials.

Sourajit Mukherjee: Yes, the milestone for that is field trial completion. So once the field trial is completed, we will then become eligible for all the rest of the 80% of the orders as well, right? And again, just on the locomotive. On the station coverage, we are building the order book as we speak. We will continue to build that.

Kapil Adwani: Okay. And sir, there is industry-wide criteria that you can build the order book prior to the field trial approval. Is that correct?

Sourajit Mukherjee: Yes. No, before the field trial approval? Yes, you can always build the order book. So that basically makes you eligible after the prototype approval itself. That is the 20% order book which you just asked. There is a 20%.

Kapil Adwani: 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 are 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.

Vinay Rao : Yes.

Kapil Adwani: Okay. So what is the mechanics of that? The working capital that we need to bid the Kavach orders, the EMDs or the initial capital?

Vinay Rao: So in our case, I think 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 Kavach tenders come up, right? Now in our case, I think that part of the equation, EMDs and so on is part of the larger order book that we have planned for, right? And we have sort of given this indication that by FY29, we will get towards INR1,000 crores revenue and INR1,000 crores revenue will be a composite of new Kavach-related tenders as well as our existing business, right?

So we are not seeing any incremental -- I mean, of course, there is going to be incremental working capital, but it is not something which is not part of our equation already, right? Now in terms of the inventory buildup, right, see that in our opinion, we will have to be a little bit more strategic, right? We should have a reasonable handle on the field trial approval time lines. 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 my mind, I am 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, we already have a working capital cycle. So this is well understood for us. We are not seeing incremental pressure on the system because of this.

Sourajit Mukherjee: So basically, we already have a INR1,200 crores order book, right? We have working capital factored for that. And then this order book is without Kavach right now. And 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 only single product manufacturer. So that's why they have a different way of looking at working capital and inventories.

Kapil Adwani: Got it. Can you just give a flavour of how the money flows into the bidding for INR1,000 crores or INR500 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: EMDs 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. But for every order, it will be -- and once you are -- 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 you get to the normal working capital cycle for the project itself, which typically is around 25% to 30% of the overall order value.

Vinay Rao: See where we have somewhat more handle is how fast can we integrate Kavach into the ecosystem and commission the project, 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, system integration becomes a significant differentiation.

Kapil Adwani: 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 time line because you are getting the orders before the approval, 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: Loco or station you are talking about?

Kapil Adwani: Loco.

Sourajit Mukherjee: For locomotive, it is 12 months strict time lines. After that, it expires. So once you get Kavach order for locomotives from that day, you have 12 months to prove your field trial and supply and fit it in the locomotive itself. So that's a very strict time lines on the locomotives. After that, if you are not able to fulfil that part of that tender will be retendered and that has already happened for a few of the companies.

But station, you have a much larger time line because that's a part of the entire systems contract. And that is around 2 years, 2.5 years, it has time lines. And then it can also get extended because there are other peripheral systems have to be installed alongside with that, and it is dependent on a lot of the other related works along with that. So station Kavach, you will get a of time. And that is the reason we are getting in right now, we will be starting actively bidding for the station Kavach because it has time.

Kapil Adwani: Got it. And sir, what are the terms with the Tata in Kavach and if any other products from Nova Raksha?

Vinay Rao: Yes. 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 supplying Kavach is going to be Nova, which is going to be a wholly owned subsidiary of e2E Rail. So the OEM, in this case, Nova is a wholly owned subsidiary of e2E Rail. Nova 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 packages that are required to successfully commission a particular Kavach installation, right?

Now the joint development agreement that we have with Tata Elxsi is on the -- 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, right? So Tata Elxsi recognizes a royalty there.

In the past, I have given this number. If there is INR100 Kavach product that is finally sold to Indian railways, roughly about INR10 to INR12 accrues to Tata Elxsi as the component, which is going towards the royalty, right? But of course, several more work has to be done between Nova and e2E Rail to be able to sort of build that INR100 product, but that's how the equation flows.

Kapil Adwani: Understood. And sir, this royalty is based on the total sale price from e2E, not the selling price of Nova to e2E?

Vinay Rao: Correct.

Kapil Adwani: Got it. And sir, how much total intangibles we are expecting from Nova Kavach and Kavach separately?

Vinay Rao: 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 fund raise. So we are not looking for incremental money to come in to fund the development there.

Kapil Adwani: Okay. And Tata is sharing 50-50 in that expense too?

Vinay Rao: Absolutely.

Kapil Adwani: Okay. So from that perspective, Tata will also be a shareholder in Nova Raksha products?

Vinay Rao: No. They are going to be an IP holder of the platform, right, Kavach, right. Kavach hardware specifically. Any future products that we develop, 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 from both the Boards

to codevelop additional products. As of now, what the 2 boards have approved is for Kavach co-development.

Kapil Adwani: Okay. But Nova Raksha is a platform from which Kavach is getting introduced. So they will own the IP and hardware 50-50 rights for Nova Raksha? Is that...

Vinay Rao: Not necessarily because the Raksha -- 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 share, right? So in a lot of those cases, it might be well -- significantly lesser than 50%.

It's basically the platform which we have developed over here. But the -- for the other extended products, there will be some sort of customization on the hardware itself to get into the actual product application. So obviously, on the product platform, we will be having some engagement, but not obviously like similar like Kavach.

Kapil Adwani: Understood. Thank you, sir. Thank you for answering all the questions.

Moderator: We have the next question from the line of Nitesh Surana, an Individual Investor. Please go ahead.

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

Vinay Rao: Sir, one has to look at our, I mean, we it is very hard to look at our business in terms of H1 and H2 margins, right? Because the margins is a pure result of the kind of supplies and the level of supplies that is involved in the overall revenue, 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, right?

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 are we have done about INR430 crores of revenue. Just one second, and we are just getting into that space.

Nitesh Surana: Yes.

Vinay Rao: Yes, so if you look at our current trailing 12 months, we are at about INR430 crores of revenue. And if you look at our margins as well, right, we are consistent. I think it is about 4.55% margin, right, which is slightly above the 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 Surana: You are talking about this 4.55% PAT.

Vinay Rao: 4.55% of PAT, right, which is sort of consistent with. So, as I said, all the variations in terms of our execution versus supply margins being lower on execution and higher on supply, all of this sort of gets normalized if you take a 12-month basis.

Nitesh Surana: Sir, your actually FY25, '26 and '24, your OPM was 11%, okay, annually. And what do you think about the March '27 OPM?

Vinay Rao: Correct, sir. It will be in the range of 10% to 11%. I think we are not going to see any difference in that. Right, so, you will see that FY27 will have an operating margin of between 10% to 11% there.

Nitesh Surana: Okay, okay. Thank you.

Vinay Rao: Yes. Slide number 10 in the Investor Presentation that we sent. That slide is dedicated to giving you a sense of how the FY27 numbers might play out.

Nitesh Surana: Okay. Thank you very much.

Moderator: Thank you. We have the next question, line of Lala Ram from Sabre Edge. Please go ahead.

Lala Ram: Thank you. One question on the interest cost. So, right now, what is the cost of debt? And is there a scope for any improvement there?

Vinay Rao: Yes. So, I will hand it over to our CFO. Cost of debt and any improvement that is possible in cost of debt.

Suresh Maddali: Yes, definitely current cost of debt. So, the current cost of debt is around 11% now. So, definitely, with the record collections coming in, and the other project closers what we say, and you know, this is definitely going to come down. And also, we are exploring other instruments where cost of debt is lesser than this.

Lala Ram: Okay. So, post IPO, we have you applied for any rating upgrades, etcetera, to reduce the cost of debt?

Sourajit Mukherjee: So, 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 Invoice Mart and the trade 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 earlier. 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's, the banks are also supporting. And we believe that we will be able to further lower the cost of capital in the coming days.

Lala Ram: Thank you so much.

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

Vinay Rao: Yes, thank you folks for joining in. As Sourajit just mentioned at the beginning of the call, we have 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 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 gives us a significantly higher PAT margin. Our forward-looking guidance at this stage is 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 INR700 crores of new order book into the business.

Post-IPO our ability to participate in bigger tenders as well as being 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 are 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 INR500 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 are seeing from our end is full throttle, whether it is on our system integration business or on our product business.

Some of the questions that you asked about maintaining topline growth will continue to happen, but we are very actively focused on improving our margin profile with vertical integration on with the Nova business, right. 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 are entering into a phase in our business where we will continue to grow 45% to 50% from a topline perspective.

But we will also augment the growth in our margin profile which is going to be a lot more than 45% to 50% as the product line of our business sort of takes shape, right. Yes, we are always available to answer any specific questions one-on-one, so please feel free to reach out, and we will be happy to answer those questions. Thank you.

Moderator: Thank you. On behalf of E To E Transportation Infrastructure Limited, this concludes the conference. Thank you for joining us and you may now disconnect your lines.