



RAIL VIKAS NIGAM LTD

IPO

PRICE BAND : ₹ 17–₹ 19

OUR RECOMMENDATION

**“SUBSCRIBE FOR
LONG TERM”**

THE OFFER

Issue Open : 29 March 2019 to 03 April 2019

»» **Issue Type:** Book Built Issue IPO

»» **Issue Size:**

253,457,280 Equity Shares @ 10 aggregating up to ₹ 482 cr

»» **Face Value:** ₹ 10 Per Equity Share

»» **Issue Price:** ₹ 17 - ₹ 19 Per Equity Share

»» **Market Lot:** 780 Shares

»» **Minimum Order Quantity:** 780 Shares

»» **Listing At:** NSE & BSE

A Discount of ₹ 0.50 per equity share is offered in Retail and employee quota.

CAPITAL STRUCTURE

The share capital of Company, is set forth below:-

(Amount in ₹ except share data)

Authorized Share Capital :-

3,000,000,000 Equity Shares @10 Aggregate value 30,000,000,000 cr

Issued, subscribed and paid up capital before the Issue :-

2,085,020,100 Equity Shares @10 Aggregate value 20,850,201,000 cr

Present Issue:-

253,457,280 Equity Shares @ 10 aggregating up to ₹ 482 cr

OBJECT OF THE OFFER

The objects of the Offer are:

- To carry out the disinvestment of Equity Shares held by the Selling Shareholder in the company.
- To achieve the benefits of listing the Equity Shares on the Stock Exchanges.

COMPANY OVERVIEW

Incorporated in 2003 by the Ministry of Railways, is a miniratna Central Public Sector Enterprise wholly owned by the Government.

RVNL is in the business of executing all types of railway projects, including new lines, doubling, gauge conversion, railway electrification, metro projects, workshops, major bridges, construction of cable stayed bridges, institution buildings.

Indian Railways is the major client of the company. Besides, public sector undertakings, state and central government departments, ministries are the other clients.

During the financial year ending March 31, 2018, RVNL have completed a total of 885.50 rkm of project length which included 315.20 rkm of doubling and 425 rkm of railway electrification.

STRATEGIES AHEAD

- To leverage position as an executing agency in MoR's investment plan for ramping of rail infrastructure.
- Securing of rail infrastructure projects from other ministries/ PSUs.
- Focus on high value projects.
- Implementation of railway workshops and factory projects.

STRENGTHS

- Expertise in undertaking all stages of project development and execution from conceptualisation to commissioning
- Undertaken diverse categories of projects with an asset light model.
- Empowerment by MoR for sanctioning project estimates and award of contracts.
- Strong Order Book (₹ 77,504cr).
- Experienced Board and Key Managerial Personnel
- Established a consistent track record of financial performance and growth.

FINANCIAL HIGHLIGHTS

Company has established a consistent track record of financial performance and growth. Revenue from operations on consolidated basis for the Financial Year 2018 and the six months ended September 30, 2018 aggregated to ₹7597.36 cr and ₹3622.88 cr, respectively, increased at a CAGR of 29.36%. Net profit stood at ₹569.36 cr and ₹253.64 cr, respectively, for the same periods, which is increased at a CAGR of 15.20%. EBITDA for Financial Year ended March 31, 2018 was recorded at ₹713.53 cr.

As on December 2018, RVNL has an order book of ₹ 77,504 crore which includes 102 ongoing projects. The company is expected to finish approximately ₹ 30,000cr order book in the next 2 to 3 years as per the management guidance.

With an investment of ₹648.57 cr as on September 30, 2018 as equity in various SPVs formed along with strategic partners, it is executing projects by contribution of equity by other partners and by raising debts from financial institutions.

SNAPSHOT

Breakup of Revenue through various Plan heads

(₹ in million)

Plan Heads	For the six month period ended September 30, 2018	Financial Year ended March 31, 2018	Financial Year ended March 31, 2017	Financial Year ended March 31, 2016
New Line	9,260.74	19,844.48	10,389.92	6,489.49
Doubling	17,990.37	33,919.19	27,517.38	27,421.63
Gauge Conversion	2,301.68	4,883.36	5,847.12	2,124.11
Railway Electrification	3,522.76	7,475.48	3,845.97	1,787.15
Metropolitan Transport Projects (including metros)	1,789.54	6,386.66	7,055.46	5,433.10
Workshops	1,035.41	1,720.05	3,411.18	1,624.65
Others (bridge construction etc.) (in numbers)	328.32	1,336.37	1,084.03	518.41
TOTAL	36,228.82	75,565.59	59,151.06	45,398.54

On an consolidated basis, the Net worth of Company as at September 30, 2018 was ₹4062.11 cr. The net asset value per Equity Share stood for the same period stood at ₹19.48.

RISK FACTORS

- Significant dependence on the MoR (Ministry of Railways) for sourcing and financing projects which may impact the revenue of the Company. *As on December 31, 2018, order book from MoR was ₹74,492.48 cr or 96.11% of total order book.*
- Substantial portion of order book depends on two projects viz. the hill railway projects of Rishikesh Karnprayag new line project and Bhanupalli- Bilaspur Beri new line project. Any delay/ review of these projects may adversely affect business.
- Delay in ongoing metro projects.
- Third party Risk
- The interests of the GOI as controlling shareholder may conflict with interests as a shareholder.

INDUSTRY OVERVIEW

For 2018-19, the total capital and development expenditure of railways has been pegged at ₹148,528 crore. Further, 100% FDI has been approved by Government for the activity of Indian Railways – construction, operation & maintenance of the entire railway segment, as per CARE Report.

Also, Railway reforms are addressing a wide range of challenges, which includes: Improved customer experience and faster/timely delivery of cargo, ensuring customer safety, innovative financing mechanisms and ensuring financial sustainability through non-fare revenues.

Considering the fact that Railways need to spend on infrastructure to be competitive enough to be a preferred mode of transportation there are many investment opportunities that could be expected from the sector.

VALUATION

Company has established a consistent track record of financial performance and growth for years. It is expertise in undertaking all stages of project development and execution from conceptualisation to commissioning.

Also, considering the fact that railways are undergoing transformation and a lot many investment opportunities could be expected from the sector. Moreover, Government is also keen and has come front foot from past years, spending on its infrastructure and development.

RVNL has robust balance sheet with strong order backlog of ₹ 77,504cr, out of which the ₹30,000 cr order is expected to be completed in 2-3 years. **On the upper price band of ₹ 19, the stock would trade at P/E of 7x for FY18 earnings**, which we think is fairly priced and is available at attractive valuations amongst peers. Therefore, we recommend to **SUBSCRIBE** the IPO for **long term benefits**.

However, one has to note that huge dependence on the MoR for projects, uncertainty regards to change in gov. policy, its hill railway project which constitute a substantial portion of order book, and any delay in major long gestation projects may impact the profitability and hurt margins in future.

DISCLAIMERS

This Research Report (hereinafter called report) has been prepared and presented by RUDRA SHARES & STOCK BROKERS LIMITED, which does not constitute any offer or advice to sell or does solicitation to buy any securities. The information presented in this report, are for the intended recipients only. Further, the intended recipients are advised to exercise restraint in placing any dependence on this report, as the sender, Rudra Shares & Stock Brokers Limited, neither guarantees the accuracy of any information contained herein nor assumes any responsibility in relation to losses arising from the errors of fact, opinion or the dependence placed on the same.

Despite the information in this document has been previewed on the basis of publicly available information, internal data , personal views of the research analyst(s) and other reliable sources, believed to be true, we do not represent it as accurate, complete or exhaustive. It should not be relied on as such, as this document is for general guidance only. Besides this, the research analyst(s) are bound by stringent internal regulations and legal and statutory requirements of the Securities and Exchange Board of India(SEBI) and the analysts' compensation was, is, or will be not directly or indirectly related with the other companies and/or entities of Rudra Shares & Stock Brokers Ltd and have no bearing whatsoever on any recommendation, that they have given in the research report

Rudra Shares & Stock Brokers Ltd or any of its affiliates/group companies shall not be in any way responsible for any such loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Rudra Shares & Stock Brokers Ltd has not independently verified all the information, which has been obtained by the company for analysis purpose, from publicly available media or other sources believed to be reliable. Accordingly, we neither testify nor make any representation or warranty, express or implied, of the accuracy, contents or data contained within this document. Rudra Share & Stock Brokers Ltd and its affiliates are engaged in investment advisory, stock broking, retail & HNI and other financial services. Details of affiliates are available on our website i.e. www.rudrashares.com.

We hereby declare, that the information herein may change any time due to the volatile market conditions, therefore, it is advised to use own discretion and judgment while entering into any transactions, whatsoever.

Individuals employed as research analyst by Rudra Shares & Stock Brokers Ltd or their associates are not allowed to deal or trade in securities, within thirty days before and five days after the publication of a research report as prescribed under SEBI Research Analyst Regulations.

Subject to the restrictions mentioned in above paragraph, we and our affiliates, officers, directors, employees and their relative may: (a) from time to time, have long or short positions acting as a principal in, and buy or sell the securities or derivatives thereof, of Company mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or profits.

THANK YOU