

## Bid for Long Term

Key Data	
Floor Price (Rs)	293.5
Face Value (Rs)	10/-
Issue Size (Rs)	1100cr
Total offered shares	3,75Cr.
Retail	
Issue Opens	November 25, 2019
Issue Closes	November 25, 2019
Offered shares	75Lac
NSE Code	RITES
BSE Code	541556
52 Week High	324.80
52 Week Low	201
Source: BSE India	

**“Retail Investors will be allocated shares at a discount of 5 % to the cut-off price.”**

## RITES LTD

### Company Background:

RITES Ltd. is a Government of India Enterprise, established in 1974, under the aegis of Indian Railways. RITES Ltd is incorporated in India as a Public Limited Company under the Companies Act, 1956 and is governed by a Board of Directors which includes professionals from various sectors of engineering and management.

RITES Ltd is a leading player in the transport consultancy and engineering sector in India and the only company possessing diversified services and geographical reach in this field is a wholly owned Government Company, a Miniratna (Category - I) Schedule 'A' Public Sector Enterprise.

Company provides a comprehensive array of services under a single roof and believes in transfer of technology to client organizations. In overseas projects, RITES actively pursues and develops co-operative links with local consultants / firms, as means of maximum utilization of local resources and as an effective instrument of sharing its expertise. Along with significant presence in transport infrastructure in railway sector, the company also provides consultancy services across various infrastructure and energy sectors including urban transport, roads and highways, ports, inland waterways, airports, institutional buildings, ropeways, power procurement and renewable energy.

RITES Ltd has an experience of over four decades and has undertaken projects in over 55 countries including Asia, Latin America, Africa, South America, and Middle East regions. Additionally, the company is the only export arm of Indian Railway for providing rolling stock overseas.

### Issue Details:

The promoter of the company - The President of India, acting through and represented by the Ministry of Railways, Government of India, proposes to sell up to 2.5Cr. equity shares representing 10% of the total paid-up equity share capital of the company and face value of Rs. 10/- each, with an option to additionally sell up to 1.25Cr. equity shares representing 5% of the total paid-up equity share capital of the company. The floor price has been set at Rs. 293.5/- per share. **Retail Investors will be allocated shares at a discount of 5 % to the cut-off price**

### Allocation Methodology:

The allocation would be made on price priority method at multiple clearing prices in accordance with the SEBI OFS circular. The issue opens for subscription on November 22, 2019 for institutional bidders. Retail investors for whom 20% shares have been reserved will get to bid on November 25, 2019.

### Rationales:

#### Order book provides strong visibility:

RITES standalone order book as on 30 September 2019 stand at Rs 5833Cr which is at 3 times of its F19 revenue. Order book is expected to grow by +7 % in FY20 over FY19 which provides strong revenue visibility for next 2-3 years. The Order book is well diversified with high margin consultancy and low margin turnkey business contributing 41 percent each 16% pertains to exports order whereas as leasing business contributes least at 2.5%. RITES has a competitive edge in winning orders owing to its over four decades of experience in transport infrastructure consultancy and its association with Ministry of Railways. Moreover, Company is nominated by Ministry of Railways to undertake various EPC orders.

### Associate

#### Karan Desai

E: karan.desai@acm.co.in

D: +91 22 2858 3221

### Marquee Clientele list

RITES have a vast clientele in domestic market including various central and state government ministries, departments, instrumentalities as well as local government bodies and public sector undertakings. Clientele includes Indian Railways, NTPC, Dedicated Freight Corridor Corporation of India Limited, High Speed Rail Corporation of India Limited, Public Works Department, DMRC, Steel Authority of India Limited, Rashtriya Ispat Nigam Limited, Hindustan Petroleum Corporation Limited, Bharat Coking Coal Limited, Metro Link Express for Gandhinagar and Ahmedabad (MEGA) Company Limited, Indian Port Rail Corporation Limited, and Airports Authority of India.

In private sector, L&T Metro Rail (Hyderabad) Limited, Kanti Bijlee Utpadan Nigam Limited (KBUNL), Cimmco Limited, Titagrah Wagons Limited, Snowmex Engineers Limited, Unity Infraprojects Limited, Rajdeep Buildcon Private Limited, Mahalsa Constructions Private Limited, Marymatha Constructions Limited, AFCON Infrastructure Limited, INCAP, ARK Services, MNEC Consultants Private Limited, Indian Geotechnical Services Limited, Geokno India Private Limited and NATRIP Implementation Society are the clients.

### Government's push on Infrastructure development

Government is expected to invest heavily in the infrastructure sector, mainly for highways, railways, renewable energy and urban transport. The Government in the Union budget 2019-20 has announced a plan to spend Rs 100 lakh crore on infrastructure in the next five years. Government investment has witnessed steep rise over the last few years, with continuation of policies within transportation infrastructure, the sector is set to open up large addressable market for RITES.

### Strong financial performance led by consistent and profitable growth

Over the years, Rites has a successful track record of delivering consistent growth in sales and profits. In the last three years FY17-FY19, RITES's operating revenues and profitability have grown by a CAGR of 23% and 18% respectively. Further, during the same period, company's operating profit grew by a CAGR of 18%. The company's operating margin has improved from 26% in FY17 to 29 % in FY19. RITES being a consulting firm works on an asset light model with Employees as its key asset. Further, Company as on date has very low debt on its balance sheet with Debt/Equity at 0.01x.

### Recommendations:

At the floor price of Rs 293.5 /-, the stock trades at 15.62x its FY19 EPS of Rs. 18.78. We believe RITES is a niche player providing design, engineering and consultancy services in transportation infrastructure and is well-positioned to gain traction in the infrastructure sector on the back of an impressive execution track record, a strong balance sheet with healthy return ratios. Hence, we recommend to **BID** for the OFS on a long-term basis.

## ACMIIL Retail Research Products

Informational Products	Recommendation Products
Morning Notes	Momentum Calls
Equi-Tea	Positional Calls
Market Watch	Smart Delivery Calls
Investor First Magazine	Investment Ideas
IPO/NCD/ETF/OFS/BOND	Master Trades High Risk
Market Pulse	Master Trades Medium Risk
RBI Monetary Policy	Techno-Funda
Union Budget Report	Top Mutual Fund Schemes
Weekly Derivative Synopsis	Portfolio Review
Rollover Snapshot	Equity SIP
Rollover Analysis	

# Asit C. Mehta

## INVESTMENT INTERMEDIATES LTD.

### Retail Research Desk:

Akhil Rathi	D: 91 22 2858 3210
Hrshikesh Yedve	D: 91 22 2858 3207
Vrinda Aditya	D: 91 22 2858 3209
Neeraj Sharma	D: 91 22 2858 3208
Rohan Gawale	D: 91 22 2858 3213
Karan Desai	D: 91 22 2858 3221

Email: [retailresearch@acm.co.in](mailto:retailresearch@acm.co.in)

**Research Analyst Registration Number:**  
INH000002483

CIN: U65990MH1993PLC075388

An ISO 9001:2015 Certified

Company

Follow us on:



Information pertaining to Asit C. Mehta Investment Intermediates Limited (ACMIIL):

ACMIIL is a SEBI registered Stock Broker, Merchant Banker and Depository Participant. It is also a AMFI registered Mutual Fund Distributor. It does not have any disciplinary history. Its associate/group companies are Asit C. Mehta Commodity Services Limited, Asit C. Mehta Realty Services Pvt. Ltd, Asit C. Mehta Forex Pvt. Ltd, Nucleus IT Enabled Services , Asit C. Mehta Financial Services Limited (all providing services other than stock broking and merchant banking).

Disclosures

ACMIIL/its associates and its Research analysts have no financial interest in the companies covered on the report. ACMIIL/its associates and Research analysts did not have actual/beneficial ownership of one per cent or more in the companies being covered at the end of month immediately preceding the date of publication of the research report. ACMIIL/its associates or Research analysts have no material conflict of interest, have not received any compensation/benefits for any reason (including investment banking/ merchant banking or brokerage services) from either the companies concerned/third parties with respect to the companies covered in the past 12 months. ACMIIL/its associates and research analysts have neither managed or co-managed any public offering of securities of the companies covered nor engaged in market making activity for the companies being covered. Further, the companies covered neither are/nor were a client during the 12 months preceding the date of the research report. Further, the Research analyst/s covering the companies covered herein have not served as an officer/director or employee of the companies being covered

Disclaimer:

This report is based on information that we consider reliable, but we do not represent that it is accurate or complete and it should not be relied upon such. ACMIIL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in the report. To enhance transparency we have incorporated a Disclosure of Interest Statement in this document. This should however not be treated as endorsement of the views expressed in the report