



रेल विकास निगम लिमिटेड  
(भारत सरकार का उपक्रम)  
**Rail Vikas Nigam Limited**  
(A Government of India Enterprises)

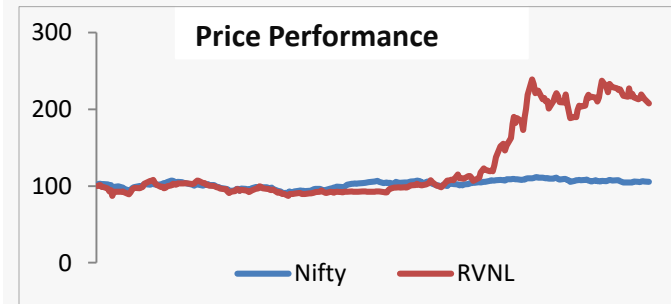


## Investment Rationale: Strengthening New Capacities

- Rail Vikas Nigam Limited (RVNL) is well positioned to scale its operations and executed more than 120 projects assigned by Ministry of railways (MOR) right from concept commissioning to full project life cycle. With its powerful experience of project execution, the company has delivered more than 35% of Railway Infrastructure Projects. We anticipate order flow will continue for RVNL from MOR & other zonal railway boards and state government.
- The Company received office memorandum (OM) from Ministry of Affairs and Ministry of Railways stating that the rating of this company is excellent for the last 11 years which gives an edge among other peers. The company is also in touch with other government department overseas for participating and getting order.
- RVNL signed an MOU with government of Kyrgyzstan for four projects to develop rail infrastructure for total length of 1000 kilometres. This project is on nomination basis. DPR (Detailed Project Report) has been prepared by the company of around 20,000 crore. We are very optimistic regards to this order & expecting it in time to come, it will be big breakthrough for the company in overseas market.
- The Company has completed 1020 kms route of railway line in FY21-22 (commission so far 488 kms of railway line in 2022-23) and going to exceed overall target of last year. It's showing their timely execution abilities. It has also exceeded the physical and financial targets during period of economy slow down.
- The company has already given preparation of the feasibility study and the DPR for Char dham Project which is located in hilly terrain. The project is yet to be sanctioned and we expect RVNL will be one of the players who will be considering for executing this project.
- RVNL have received first overseas projects from UTF Harbour Line project which will be used by the MNF (Maldives National Force) and the scope basically comprises of the Marine works buildings, infrastructure, and equipment. The project is to be completed in two years with the cost of more than ~1500 cr.
- Government made a capex target of 10 lakh crore in recent budget of FY23-24 with a capital allocation to railways of 2.4 lakh crore which is giving visibility for strong order inflow for the company in coming quarters with its expertise in all verticals of infrastructure developments.

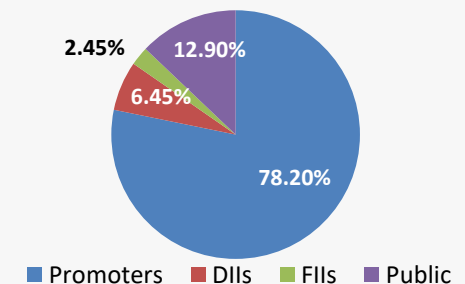
### Key Market Data

<b>CMP (₹)</b>	71.55
<b>Bloomberg/ Reuters Code</b>	RVNL:IN/ raiv.ns
<b>Target (₹)</b>	120
<b>Potential Upside %</b>	70%
<b>Sector</b>	Civil Construction & Infrastructure
<b>Recommendation</b>	BUY
<b>Face Value (₹)</b>	10.00
<b>Market Cap (Cr)</b>	14,876.62
<b>Market Cap FF (Cr.)</b>	3,178.82
<b>52-week High/Low (₹)</b>	84.15 / 29.00



Source: Ace Equity, Rebased to a scale of 100

### Shareholding pattern as on Dec 2022



- The company have been shortlisted to participate in expression interest of a project by EXIM Bank for construction of 10 kms of metro in Mauritius, where the company wants to leverage its existing skills particularly railway infrastructure and metro projects in overseas as well for global footprint.
- RVNL has started to participate in Multi modal logistic path (MMLP) where NHAI has identified 35 locations for this project. Here, RVNL will also participate with Reliance by SPV route to develop MML Park near Coimbatore in chennai. The total equity will be around 600 crores and RVNL share will be 26%. This will be a new opportunity as new business verticals for growth moving ahead. This will be for 45 years for managing, operating and the maintaining this logistic path.
- MOR has a huge plan for redevelopment of 200 stations where they have recently sanctioned 10,000 crores for 3 number of stations development. The company intend to participate in some of the tenders in the contracts and in time to come, which we expect RVNL to capitalise its skills and experience to develop railway infrastructure. Hence, we believe that RVNL will continue to secure a comfortable portion of such tenders under the bidding system by its long-standing experience in executing all kind of railway projects.
- The company is also pursuing diversification of the order-book by taking up Road Development Project, metro rail Project, Marine work, Logistic Projects, Hill Terrain and overseas Rail Infrastructure project. We believe the company's plans to enter into global market would positively reflect in its topline in coming years.
- The company started its own procurement cell for efficient and quality purchase of material for project with cost reduction in case to case basis which may lead to possible expansion of margin. Hence, we believe that there is a scope of margin expansion going forward which is currently at ~6%, due to change in the business model of the company in Tendering Process and also opening of procurement cell. The Company also commenced business development cell to participate in tendering process.
- The Company so far participated 40000 crore of order & awarded project worth 8200 crore & expected to get further 6000-7000 crore of order by end of FY 23 and also 3000 crore of order through SPV model by end of current financial year.
- The company has total 6 SPV & one subsidiary. It has equity stake in each SPV based on capital invested. It's going to get profit sharing based on its holding of BOT basis even after project completion apart from Fees for project execution.

### Valuation:

RVNL's Expertise & Experience in diversified Infrastructure projects from Rails, roads, marine, Hill areas, metro trains & many other areas with existing strong order book, we believe RVNL is well placed to capitalize on these opportunities. Going ahead, we expect the company's revenue to grow at a CAGR of ~20% over FY23-FY26E. Hence, we recommend RVNL with a target price of Rs 120 based on FY26E EPS of Rs 12.43; it's available at PE of 5.8x, which is at a lower end valuation of last five years.

## Company Overview

Rail Vikas Nigam Limited (RVNL), a Navratna Central Public Sector Enterprise (CPSE) under the Ministry of Railways, was incorporated at New Delhi in the year 2003 with the twin objectives of implementation of projects relating to creation and augmentation of capacity of rail infrastructure on a fast track basis and raising of extra-budgetary resources. RVNL project executing agency working for and on behalf of Ministry of Railways.

RVNL executes all types of railway projects including new lines, doubling, gauge conversion, railway electrification, metro projects, workshops, major bridges, construction of cable stayed bridges, and institutional buildings. It works on a turnkey basis and undertakes the full cycle of project development from conceptualization to commissioning including stages of design, preparation of estimates, calling contracts, and project and contract management.

RVNL has successfully set up six projects specific Special Purpose Vehicles (SPVs) for execution of important rail connectivity projects in PPP mode. More SPVs are in different stages of being set up under Indian Railways' participative policy framework. In SPV route, the company will get certain fees after completion of projects on BOT basic as per the agreement.

## Industry Overview

- Indian Railways has prepared a National Rail Plan (NRP) for India - 2030 which envisages creating a “Future Ready” Railway system. The NRP is aimed to formulate strategies based on both operational capacities and commercial policy initiatives to increase modal share of the Railways in freight to 45% (currently 27%). The objective of the Plan is to create capacity ahead of demand by 2030.
- As part of NRP Plan, Vision 2024 has been launched for accelerated implementation of certain critical projects by 2024 such as 100% electrification, multi-tracking of congested routes, upgradation of speed to 160 kmph on certain routes, upgradation of speed to 130 kmph on all other Golden quadrilateral – Golden Diagonal routes and elimination of all Level Crossings on such routes.
- The recent budget of FY23/24, the government increased its capex by 33.4% to 10 Lakh crore for infrastructure development which lead to GDP growth of the country. 100 transport infrastructure projects identified for end-to-end connectivity for ports, coal, steel and fertilizer sectors.
- It's the highest ever capital allocation for Railways and is nearly nine times over FY14 allocations with an outlay of Rs 2.4 lakh crore provided for railways in FY24.



## Consolidated Income Statement (Quarterly)

Particulars (in Cr.)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Sales	5,577.92	3,869.10	4,025.82	5,049.24	6,437.54	4,640.75	4,908.90	5,012.09
Expenses	5,223.85	3,640.75	3,798.70	4,730.07	6,029.16	4,360.01	4,592.91	4,736.41
Operating Profit	354.07	228.35	227.12	319.17	408.38	280.74	315.99	275.68
Other Income	420.90	210.51	112.49	222.03	225.02	255.74	300.64	324.82
Depreciation	5.16	4.61	4.70	4.23	7.36	5.96	4.82	5.70
Interest	318.61	133.89	5.69	144.24	146.20	157.29	130.83	146.94
Profit before tax	451.20	300.36	329.22	392.73	479.84	373.23	480.98	447.86
Tax	69.41	68.10	49.98	99.72	101.68	75.56	99.76	65.44
Net profit	381.79	232.26	279.24	293.01	378.16	297.67	381.22	382.42

## Key Q3FY23 Result Highlights

- The Company's consolidated Revenue grown around 2.1% on sequential basis.
- RVNL's profit before tax (PBT) remains almost flat on sequential basis & rose around 5.83% on YOY basis.
- RVNL's profit after tax (PAT) remains flat on sequential basis.

### Note:

It's being flat quarterly performance both on top-line and bottom-line. So, as per our view the company will not be reviewed based on quarterly performance. Historically, we have seen that revenue and profit both remained subdued for one or two quarters sequentially and eventually stood up sharply. Further, we have not seen anywhere about their execution default except covid time. So, long term growth will remain intact and has a direct correlation with order inflow capabilities.



## Recent New Order Inflow

The company has bagged some strong orders (including new segments) in the past few months. Some of the significant orders include:

Date	Client	Order Value (₹ in Cr.)
04.11.2022	Central Organization for Railway Electrification (OHE Modification Work)	138
11.11.2022	GOI Project in Maldives (Development of Uthuru Thila Falhu-Island Harbour)	1,545
22.12.2022	Gujarat Metro Rail Corp.	199
05.01.2023	Gujarat Metro Rail Corp.	166
11.01.2023	Chennai Metro Rail Ltd.	1,134
17.01.2023	Surat Metro Projects (Phase I)	674
17.01.2023	Ahmadabad Metro Projects (Phase II)	384
Jan-Feb 2023	Southern Railway (Provision of Automatic Block Signalling)	119

**Note: Existing order book of ₹ 55000 Cr. as on 31.10.2022**

## It has following percentage of stake in JV & subsidiary as below:

Name of SPV	Stake
Kutch Railway company Ltd	50%
Bharuch-Dahej Railway Company Ltd	35%
Krishanapatnam Railway Company Ltd	49.76%
Haridaspur pradip railway company Ltd	30.00%
Angul sukinda railway Ltd	32.16%
Dighi Roha Rail Ltd	50%

Name of Subsidiary	Stake
HSRC Infra Ltd	100%

## Income Statement (Consolidated)

Particulars (in Cr.)	FY21	FY22	FY23E	FY24E	FY25E	FY26E
Sales	15,403.76	19,381.71	20,020.00	24,202.80	32,589.28	34,441.96
Total Expenses	14,523.90	18,198.67	18,773.23	22,542.28	30,207.21	31,851.04
Operating Profit	879.86	1,183.04	1,246.77	1,660.52	2,382.07	2,590.92
Operating Profit Margin	5.71%	6.10%	6.23%	6.86%	7.31%	7.52%
Other Income	807.91	903.75	1,001.00	1,210.14	1,629.46	1,722.10
Interest	458.14	563.71	600.60	726.08	977.68	1,033.26
Depreciation	22.92	20.91	24.02	29.04	39.11	41.33
Profit before tax	1,206.71	1,502.17	1,623.15	2,115.53	2,994.75	3,238.43
Tax	215.14	319.48	324.63	423.11	598.95	647.69
Tax %	18%	21%	20%	20%	20%	20%
Net profit	991.57	1,182.69	1,298.52	1,692.43	2,395.80	2,590.74
Net profit margin (%)	6.44%	6.10%	6.49%	6.99%	7.35%	7.52%
Number of Shares	208.50	208.50	208.50	208.50	208.50	208.50
Earning Per Share	4.76	5.67	6.23	8.12	11.49	12.43
P/E (x)	6.12	5.76	11.49	8.81	6.23	5.76

Source: Company, Asit C. Mehta Institutional Research

## Risks and concerns

- ✓ Any kind of delay in order execution will have a direct impact on Revenue and Profitability of the company.
- ✓ Government current holds 78% in the company. Overhang of selling pressure on stock price, if any kind of stake sell by the government.

# Asit C. Mehta

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