

Company Overview

Rail Vikas Nigam limited (RVNL) incorporated in 2003 by Ministry of Railways (MoR), is a wholly owned government company, a Miniratna (Category – 1) Schedule ‘A’ Central Public sector Enterprise. The company focuses on 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 etc. The company operates at all stages of project management which includes designing, estimating and contract management etc. The company has undertaken projects across different states spanning Maharashtra, Orissa, Madhya Pradesh, Punjab, Gujarat and Chennai. The major clients are Central, State government ministries and public sector undertakings.

Objects of the issue

- 1) To carry out the disinvestment of 252,800,000 Equity Shares held by the Selling Shareholder in the Company, equivalent to 12.12% of paid up capital as part of the Net Offer, and 657,280 Equity Shares that has been reserved for Eligible Employees in the Employee Reservation Portion.
- 2) To achieve the benefits of listing the Equity Shares on the Stock Exchanges. The Company will not receive any proceeds from the Offer and all such proceeds will go to the Selling Shareholder.

Investment Rationale

Diversified business segments with an asset light model helps to leverage business risk

RVNL has, over the years, leveraged its expertise in diverse segments of the railway infrastructure such as doubling, railway electrification, gauge conversion, new line, metro rail projects, workshops/maintenance facilities for railway sector. It has recently participated as a stakeholder in a special purpose vehicle, Indian Port Rail Corporation Limited under the Ministry of Shipping which has been formed to undertake maintenance upgradation and modernisation of the port railways as well as providing capacity augmentation wherever required. RVNL works on an asset light model wherein in all the machinery, plants and stores for execution is been provided by the contractor.

Company possess high expertise in executing all stages of project development

RVNL generally works on a turnkey basis and undertake the full cycle of project development from concept to commissioning including stages of design, preparation of estimates, calling and award of contracts, project and contract management etc. RVNL’s experienced management and execution team gives it a competitive advantage and has contributed significantly in improving execution capabilities. With its 43 project implementation units as on December 31, 2018 across the country, it operates as a client company to the MoR, and work for and on behalf of the Ministry for execution of various nature of railway infrastructure projects.

Company to focus on marquee projects for higher revenue growth

RVNL has recently been assigned the hill projects in the difficult terrains of the Himalayas for the construction of the new lines between Rishikesh-Karnprayag in Uttarakhand and Bhanupalli – Bilaspur - Beri in Himachal Pradesh. The new line till Beri is likely to be extended upto Ladakh on strategic consideration, which may be considered for transfer to it for execution on concurrent basis. The focus of the government on development of infrastructure is apparent by the increase in budgetary allocations and announcement of new schemes to boost infrastructure spending as well as initiatives taken to increase availability of finance to the sector. Hence, in the coming years, RVNL intends to increase its focus on projects with high value, especially in hilly terrains.

Valuation and Outlook

Rail Vikas Nigam Ltd operates on an asset light model, wherein the requirements such as plant and machinery, stores and tools is supplied by contractors. The company is also looking to focus more on high value projects which would add to future revenue growth. It possess high expertise in executing new and double-track railway lines on existing routes which forms major part of orders. It has long operating history with strong record of timely execution of projects and that has helped company to gain revenue growth of around 25% CAGR for FY15-18. On the valuation front, at a upper price band the company’s P/E multiple stood at 7.8X to annualized H1FY19 EPS which we believe is reasonably priced. Thus owing to above reasons, we recommend a ‘SUBSCRIBE’ rating for the IPO.

Issue Details

Offer Period	Mar 29th - 3rd Apr 2019
Price Band	Rs.17 to Rs.19
Bid Lot	780
Listing	BSE&NSE
Issue Size (no. of shares in mn)	253.4
Issue Size (Rs. in mn)	4,308.7
Face Value	10

Issue Structure

QIB	50%
Retail	35%
HNI	15%
BRLM	Yes securities, Elara Capital, IDBI Capital

Registrar	Alankit Assignments Ltd
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Particulars	Pre Issue %	Post Issue %
Promoter	100	87.8
Public	0	12.2
Total	100%	100%

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



Income Statement (Millions)

Particulars	H1FY19	FY18	FY17	FY16	FY15
Revenue					
Revenue from operations	36,229	75,974	59,151	45,399	31,465
Total revenue	37,704	78,223	61,629	47,203	32,698
Expenses					
Expenses on Operations	33,511	70,240	54,678	41,889	28,957
CSR and R&D Expenses	102	77	61	60	47
Employee benefit expenses	776	1,340	1,170	967	771
Other expenses	225	429	423	309	234
Total Operating expenses	34,614	72,086	56,333	43,225	30,009
EBITDA	3,090	6,137	5,296	3,978	2,688
Depreciation and amortisation expense	27	48	50	47	51
Other income					
EBIT	3,063	6,089	5,245	3,931	2,637
Finance costs	206	447	355	231	153
Exceptional Item	-	-	-	-	-
Share in Profit/(Loss) of Joint Ventures	244	998	542	1,289	1,281
PBT	3,101	6,640	5,433	4,990	3,766
Current tax	585	1,187	1,033	778	490
Deferred Tax charge	(21)	(245)	(34)	(82)	(93)
Total tax	565	941	998	695	397
PAT	2,536	5,699	4,435	4,294	3,368
Diluted EPS	1.2	2.7	2.1	2.1	1.6

Source: Company, BP Equities Research

Cash Flow Statement (Millions)

Particulars	H1FY19	FY18	FY17	FY16	FY15
Cash Flow from operating activities	2,120	(3,122)	5,707	6,521	1,135
Cash flow from investing activities	819	(184)	(254)	997	(292)
Cash flow from financing activities	(5,860)	(5,812)	(6,684)	(1,823)	(1,523)
Net increase/(decrease) in cash and cash equivalents	(2,921)	(9,117)	(1,231)	5,696	(680)
Cash and cash equivalents at the beginning of the period	3,428	12,545	13,776	8,080	8,760
Cash and cash equivalents at the end of the period	509	3,428	12,545	13,776	8,080

Source: Company, BP Equities Research

Balance Sheet (Millions)

Particulars	H1FY19	FY18	FY17	FY16	FY15
Liabilities					
Share Capital	20,850	20,850	20,850	20,850	20,850
Reserve & Surplus	19,771	18,402	14,719	13,374	9,755
Net worth	40,621	39,252	35,569	34,224	30,605
Long-Term Borrowings	19,633	22,591	24,369	26,241	25,140
Long-Term Provisions	82	92	89	75	51
Other Non Current Liabilities	3,510	4,149			
Total Non Current Liabilities	23,226	26,832	24,458	26,316	25,191
Trade payables	1,489	684	1,099	905	450
current tax liability	35	129	-	16	77
Other current liabilities	21,340	18,336	27,061	160,465	104,884
Short Term Provisions	613	451	409	230	147
Total Current Liabilities	23,478	19,601	28,569	161,617	105,558
Total liabilities	87,324	85,685	88,596	222,157	161,354
Assets					
Tangible Assets	2,489	2,488	76	60	58
Capital work in Progress	-	-	-	-	-
Intangible Assets	274	212	127	56	17
Long term Investment	12,565	12,322	10,886	10,239	8,957
Deferred tax Assets (Net)	676	656	410	375	292
Long-Term Loans and Advances	69	65	66	49	34
Other non-current assets	18,695	21,824	18,022	11,349	9,604
Total fixed assets	34,768	37,567	29,586	22,126	18,962
Current Tax Asset (Net)	46	99	105	75	167
Trade Receivables	14,394	11,766	4,794	5,897	2,622
Cash and Bank Balances	12,720	14,028	27,045	30,326	12,931
Other current assets	25,258	22,132	19,391	15,481	11,012
Short-Term Loans and Advances	76	74	11	11	14
Project-Work-in-Progress	62	19	7,663	148,241	115,647
Total Current Asset	52,556	48,118	59,008	200,030	142,392
Net Current Assets	29,078	28,518	30,439	38,414	36,834
Total Assets	87,324	85,685	88,596	222,157	161,354

Source: Company, BP Equities Research

Key Risks

- Business activities are subject to seasonal and other fluctuations that may affect cash flows and business operations.
- ⇒ Depend on the expertise of Key Management Personnel and skilled workforce for operations can adversely effect business, financial condition and the results of operations
- Delay in land acquisition, forest/wildlife related clearances and approvals of plans and drawings, granting of power and traffic blocks for projects may lead to time and cost overruns.

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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