

Rail Vikas Nigam (RVNL)

HOLD

Weak quarter, consistent inflow

Summary

RVNL Q3FY24 performance was weak as revenue has declined by 6% YoY and PAT declined by 6% YoY. RVNL at the end of 9MFY24 has reported Order book at Rs650bn, 3x TTM revenue. Order inflow has been consistent, in Q3FY24 it stood at Rs17bn vs Rs66bn in 1HFY24. Order win is becoming diversified with 9MFY24 inflow has come from sectors like railway (contributing 20% to 9MFY24 inflow), Metro (26%), Irrigation (14%), Power (30%) and remaining from road sector at 10%. RVNL which started as railway EPC company is moving to other sectors for growth and thus margin trajectory is key to watch going ahead. Post the result we have introduced FY26E and revised SOTP base TP to Rs248, this implies 30x FY26E EPS (Earlier TP Rs149, ~20x FY25E EPS) and retain HOLD rating. We have modeled EPS increase at 7%/9% YoY in FY25E and FY26E.

Key Highlights and Investment Rationale

- Q3FY24 Snapshot:** Revenue declined by 6% YoY to Rs47bn and EBITDA in Q3FY24 was Rs2.4bn down by 10% YoY, here margin declined to 5.3% v/s 5.5% YoY, margins down by 19bps YoY. PAT decline was lower at 6% YoY, as other income (net) supported it, it increased by 40% YoY to Rs1.8bn.
- Signed MoU with REC for Rs350bn financing:** RVNL has signed an MoU with REC, Rural Electrification Corporation for infra financing upto Rs350bn. These projects constitute multi-modal logistics hub projects, rail infrastructure projects, road, port, and metro projects where RVNL has forayed into.
- Order book at 3x FY23 revenue:** Company has order book of around Rs650bn, with 50% from the nomination (railway projects) and remaining 50% bagged on competitive basis from the market. Every year RVNL target for order inflow Rs250bn and achieve order book of Rs750bn.

TP **Rs248**

CMP **Rs259**

Potential upside/downside -4%

Previous Rating -

Price Performance (%)

	-1m	-3m	-12m
Absolute	29.7	65.9	262.3
Rel to Sensex	29.9	55.6	244.3

V/s Consensus

EPS (Rs)	FY24E	FY25E	FY26E
IDBI Capital	7	8	8
Consensus	7	7	8
% difference	3.7	8.8	2.6

Key Stock Data

Bloomberg/Reuters	RVNL IN / RAIV.BO
Sector	Infrastructure
Shares o/s (mn)	2,085
Market cap. (Rs mn)	540,437
3-m daily avg Trd value(Rs mn)	605.6
52-week high / low	Rs346 / 56
Sensex / Nifty	71,595 / 21,783

Shareholding Pattern (%)

Promoters	72.8
FII	2.6
DII	6.1
Public	18.5

Financial snapshot

Year	FY22	FY23	FY24E	FY25E	FY26E
Revenue	193,817	202,816	214,985	236,483	260,131
Change (yoy, %)	26	5	6	10	10
EBITDA	11,831	12,468	12,982	14,815	16,621
Change (yoy, %)	34	5	4	14	12
EBITDA Margin(%)	6.1	6.1	6.0	6.3	6.4
Adj.PAT	11,827	14,206	14,963	16,072	17,476
EPS (Rs)	6	7	7	8	8
Change (yoy, %)	19.3	20.1	5	7	9
PE(x)	45.7	38.0	36	34	31
Dividend Yield (%)	1	1	1	1	1
EV/EBITDA (x)	45	47	43	39	35
RoE (%)	20	21	19	18	17
RoCE (%)	9	9	9	10	10

Source: IDBI Capital Research

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Conference call highlights

- Company has order book of around Rs650bn, with 50% from the nomination (railway projects) and remaining 50% bagged from the market. This is tentative details and company will come back with the exact numbers of the order book in Q4FY24.
- Major order in order book is :Vande Bharat is Rs90bn, metro order of Rs70bn and in this Chennai metro itself is around Rs45bn. Target to do revenue of Rs200-220bn and PAT of Rs13bn + in FY24E.
- Regarding Vande Bharat, signed the MCMA (maintenance cum manufacturing) agreement. Coaches will be manufactured at Latur. First step after signing of MCMA is basically mockup. After the mockup, the manufacturing of the rakes will be done. First prototype is required to be manufactured 24 months from the date of signing of the agreement. Second prototype within 60 days of that. Post prototype, first year 12 trains will be manufactured, second year 18, third year 25, fourth year 25, fifth year 25, sixth year 15.
- Kyrgyzstan order, for financing part, the financial institutions has been contacted, and is being done by the government of Kyrgyzstan. Once DPR and the financial closure is done, the project could be transferred to RVNL and it will be executed on nomination basis and fee.
- Signed an MoU with REC, Rural Electrification Corporation where their share is 52%. In case of any project financing, RVNL will approach REC being a government company. MoU is for next five years, around Rs350bn of project financing can be done. And in that MoU, REC had also agreed for infusing equity in the railway infrastructure SPVs.
- RVNL target order book of around Rs650bn and every year there is target for new order of Rs250bn per year.
- Jackson JV is looking at a project in Uzbekistan and another one in UAE -- Saudi Arabia. And both of these places will be Jackson Green stake of 51% and remaining with RVNL. These will be short period work around a year or so.
- RVNL is presently executing the metro in seven cities , in this Kolkata metro is on nomination basis and rest all the metros we on competitive bidding. And there is pre-feasibility studies going on for various high speed corridors connecting Delhi, Mumbai, Kolkata and Chennai

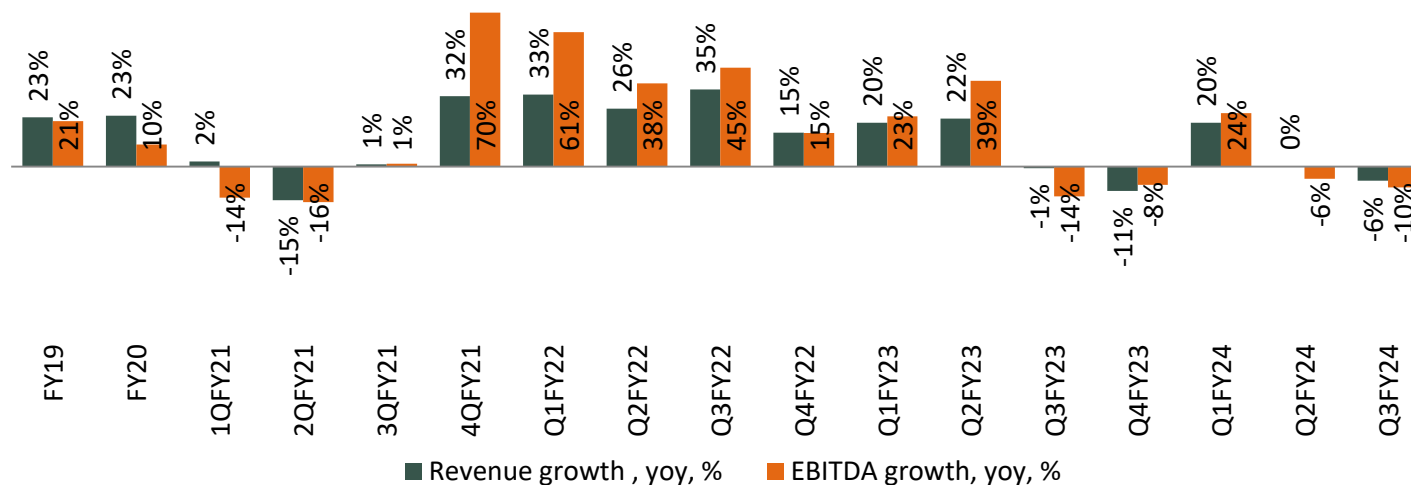
Exhibit 1: Quarterly Snapshot

(Rs mn)

Financial snapshot	Dec-23	Dec -22	YoY Chg (%)	Sep-23	QoQ Chg (%)
Net Sales	46,893	50,121	-6	49,143	-5
EBIDTA	2,491	2,757	-10	2,983	-16
EBITDA margin (%)	5.3	5.5	-19bps	6.1	-76bps
Other income	3,276	2,809	17	2,960	11
PBIDT	5,767	5,566	4	5,943	-3
Depreciation	48	57	-15	62	-22
Interest	1,394	1,469	-5	1,327	5
Pre-tax profit	4,626	4,479	3	4,796	-4
Tax	1,040	654	59	852	22
Tax Rate	22	15	787bps	18	472bps
Profit after tax	3,586	3,824	-6	3,944	-9

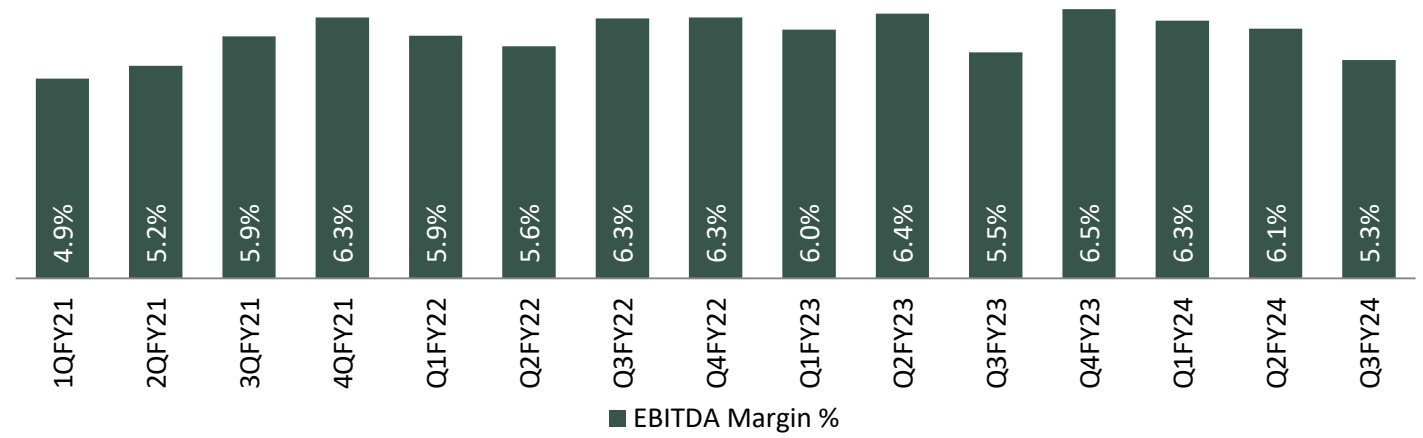
Source: Company

Exhibit 2: Revenue -6% YoY & EBITDA -10% YoY.



Source: Company

Exhibit 3: EBITDA margin dropped at ~5.3%



Source: Company

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net sales	154,037	193,817	202,816	214,985	236,483	260,131
<i>Change (yoy, %)</i>	6	26	5	6	10	10
Operating expenses	(145,239)	(181,987)	(190,348)	(202,003)	(221,668)	(243,511)
EBITDA	8,798	11,831	12,468	12,982	14,815	16,621
<i>Change (yoy, %)</i>	12	34	5	4	14	12
<i>Margin (%)</i>	5.7	6.1	6.1	6.0	6.3	6.4
Depreciation	(229)	(209)	(223)	(244)	(262)	(279)
EBIT	8,568	11,622	12,245	12,738	14,553	16,342
Interest paid	(4,581)	(5,637)	(5,814)	(5,145)	(4,922)	(4,922)
Other income	8,079	9,038	11,551	12,095	11,856	11,943
Pre-tax profit	12,066	15,022	17,982	19,688	21,487	23,363
Tax	(2,151)	(3,195)	(3,776)	(4,725)	(5,415)	(5,887)
<i>Effective tax rate (%)</i>	17.8	21.3	21.0	24.0	25.2	25.2
Minority Interest	-	-	-	-	-	-
Net profit	9,915	11,827	14,206	14,963	16,072	17,476
Exceptional items	-	-	-	-	-	-
Adjusted net profit	9,915	11,827	14,206	14,963	16,072	17,476
<i>Change (yoy, %)</i>	31	19	20	5	7	9
EPS	4.8	5.7	6.8	7.2	7.7	8.4
Dividend per sh	1.6	1.8	2.2	2.3	2.5	2.7
<i>Dividend Payout %</i>	33.2	32.3	32	32	32	32

Balance Sheet

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Shareholders' funds	56,361	63,247	73,251	83,387	94,274	106,112
Share capital	20,850	20,850	20,850	20,850	20,850	20,850
Reserves & surplus	35,511	42,397	52,401	62,537	73,424	85,261
Total Debt	56,827	63,154	60,306	55,306	55,306	55,306
Other liabilities	3,937	3,224	6,245	6,153	6,186	6,224
Curr Liab & prov	25,087	71,030	44,421	70,096	46,160	50,309
Current liabilities	24,873	70,743	44,139	69,814	45,878	50,026
Provisions	215	287	283	283	283	283
Total liabilities	85,851	137,408	110,972	131,555	107,653	111,839
Total equity & liabilities	142,212	200,655	184,224	214,942	201,926	217,950
Net fixed assets	3,456	3,807	3,560	4,660	5,760	6,860
Investments	17,302	18,097	19,824	20,694	20,694	20,694
Other non-curr assets	21,609	31,373	70,386	68,917	70,095	74,631
Current assets	99,845	147,378	90,454	120,670	105,377	115,765
Inventories	235	499	589	1,089	1,089	1,089
Sundry Debtors	12,101	12,181	13,466	18,498	23,210	25,154
Cash and Bank	20,470	68,235	18,533	41,654	17,349	21,064
Loans and advances	67,040	66,463	57,865	59,429	63,729	68,459
Total assets	142,212	200,655	184,224	214,942	201,926	217,950

Cash Flow Statement

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Pre-tax profit	12,066	15,022	17,982	19,688	21,487	23,363
Depreciation	-	-	-	-	-	-
Tax paid	(2,078)	(2,693)	(3,949)	(4,837)	(5,415)	(5,887)
Chg in working capital	(3,153)	45,685	(27,985)	20,143	(28,648)	2,205
Other operating activities	-	-	-	-	-	-
Cash flow from operations (a)	6,835	58,014	(13,953)	34,994	(12,576)	19,681
Capital expenditure	(156)	(351)	247	(1,100)	(1,100)	(1,100)
Chg in investments	(1,452)	(795)	(1,727)	(870)	-	-
Other investing activities	-	-	-	-	-	-
Cash flow from investing (b)	(1,608)	(1,146)	(1,480)	(1,970)	(1,100)	(1,100)
Equity raised/(repaid)	(0)	-	-	-	-	-
Debt raised/(repaid)	14,261	6,327	(2,848)	(5,000)	-	-
Dividend (incl. tax)	(3,294)	(3,816)	(4,583)	(4,827)	(5,185)	(5,638)
Chg in minorities	-	-	-	-	-	-
Other financing activities	-	-	-	-	-	-
Cash flow from financing (c)	10,966	2,512	(7,431)	(9,827)	(5,185)	(5,638)
Net chg in cash (a+b+c)	16,194	59,380	(22,864)	23,197	(18,861)	12,943

Financial Ratios

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Book Value (Rs)	27	30	35	40	45	51
Adj EPS (Rs)	4.8	5.7	6.8	7.2	7.7	8.4
Adj EPS growth (%)	31	19	20	5	7	9
EBITDA margin (%)	5.7	6.1	6.1	6.0	6.3	6.4
Pre-tax margin (%)	7.8	7.8	8.9	9.2	9.1	9.0
Net Debt/Equity (x)	0.6	-0.1	0.6	0.2	0.4	0.3
ROCE (%)	8	9	9	9	10	10
ROE (%)	18	20	21	19	18	17

DuPont Analysis

Asset turnover (x)	1.2	1.1	1.1	1.1	1.1	1.2
Leverage factor (x)	2.5	2.9	2.8	2.5	2.3	2.1
Net margin (%)	6.4	6.1	7.0	7.0	6.8	6.7

Working Capital & Liquidity ratio

Inventory days	1	1	1	2	2	2
Receivable days	29	23	24	31	36	35
Payable days	7	4	12	12	12	12

Valuations

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
PER (x)	54.5	45.7	38.0	36.1	33.6	30.9
Price/Book value (x)	9.6	8.5	7.4	6.5	5.7	5.1
EV/Net sales (x)	3.7	2.8	2.9	2.6	2.4	2.2
EV/EBITDA (x)	65.5	45.2	46.7	42.6	39.0	34.6
Dividend Yield (%)	0.6	0.7	0.8	0.9	1.0	1.0

Source: Company; IDBI Capital Research



Notes

Dealing

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Key to Ratings Stocks:**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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