

Rail Vikas Nigam (RVNL)

HOLD

Weak Performance

Summary

RVNL Q1FY25 PAT was below our estimates by 30%, this was due to weak execution due to central elections & geopolitical turmoil. Company guided revenue to be flat at Rs220bn for FY25 & guided EBITDA margins in range of 6-6.5%. Order book at Rs830bn is 4x TTM revenue and order book from competitive bid project is inching up to 40%+. RVNL highlighted that it has witnessed decline in margins of two of its major projects but management is confident that they will improve the execution in H2FY25. Post the result we changed TP to Rs549, this factor's weak performance of Q1FY25 and increased PER multiple. At TP, RVNL implied multiple is 70x FY26E EPS. Retain Hold rating; we have modeled EPS increase at 8% YoY in FY25E and FY26E.

Key Highlights and Investment Rationale

- Q1FY25 Snapshot:** Revenue decreased by 27% YoY to Rs41bn and EBITDA in Q1FY25 was Rs1.8bn down by 48% YoY, margin at 4.5% impacted due to weak execution during the quarter. PAT stood at R2.2bn -35% YoY & -53% QoQ.
- Order book:** Currently the order book stood at Rs823bn, (4x TTM Revenue), the order book has orders worth Rs300bn+ from buildings division, Rs50bn from Gauge Conversion, Rs70bn for Doubling of lines & remaining amount for construction of new lines.
- High Speed Rail Projects:** RVNL is venturing towards High Speed Railway projects, currently under Viksit Bharat 2047 scheme, 10000kms of HSR projects are upcoming which is large opportunity for RVNL.
- FY25E guidance:** RVNL expects revenue to be flat at Rs220bn for FY25 & will target bidding projects to improve the EBITDA margins. RVNL guides EBITDA margins to be in range of 6-6.5%.

TP	Rs549
CMP	Rs575
Potential upside/downside	-5%
Previous Rating	HOLD

Price Performance (%)

	-1m	-3m	-12m
Absolute	(8.2)	120.2	356.1
Rel to Sensex	(7.1)	110.6	334.2

V/s Consensus

EPS (Rs)	FY25E	FY26E
IDBI Capital	8	9
Consensus	8	9
% difference	(4.7)	(3.5)

Key Stock Data

Bloomberg/Reuters	RVNL IN / RAIV.BO
Sector	Infrastructure
Shares o/s (mn)	2,085
Market cap. (Rs mn)	1,199,304
3-m daily avg Trd value(Rs mn)	295.4
52-week high / low	Rs647 / 122
Sensex / Nifty	79,649 / 24,347

Shareholding Pattern (%)

Promoters	72.8
FII	3.1
DII	6.7
Public	17.3

Financial snapshot

Year	FY22	FY23	FY24	FY25E	FY26E
Revenue	193,817	202,816	218,892	236,483	260,131
Change (yoy, %)	26	5	8	8	10
EBITDA	11,831	12,468	13,528	15,054	16,880
Change (yoy, %)	34	5	9	11	12
EBITDA Margin(%)	6.1	6.1	6.2	6.4	6.5
Adj.PAT	11,827	14,206	15,745	16,987	18,355
EPS (Rs)	6	7	8	8	9
Change (yoy, %)	19.3	20.1	11	8	8
PE(x)	52.7	43.9	40	37	34
Dividend Yield (%)	1	1	1	1	1
EV/EBITDA (x)	52	53	49	46	41
RoE (%)	20	21	20	18	17
RoCE (%)	9	9	9	9	10

Source: IDBI Capital Research

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Conference call highlights

- Revenue for the quarter stood at Rs40bn, -47% YoY/ -37% QoQ, this was mainly due to slowdown in execution in various geographies, the geopolitical situation in Maldives had led to decline in Revenue, also several permission for Kolkata Metro projects were denied or delayed this led impact on revenue, also slowdown in work due to Central Elections cause revenue to decline.
- Revenue for FY25 is expected at around Rs220bn, & company has also guided that the margins will be around 4-4.5% for FY25.
- Currently the order book stood at Rs823bn, (4x TTM Revenue), the order book has orders worth Rs300bn+ from buildings division, Rs50bn from Gauge Conversion, Rs70bn for Doubling of lines & remaining amount for construction of new lines.
- Company is also facing delay in getting funds from Indore Metro Project, company has completed work worth Rs2.5bn, but this income is not yet recognized in topline yet, Madhya Pradesh government has approved Rs380mn payment towards metro project but RVNL has received only Rs210mn till date.
- In terms of International projects, RVNL planned to participate in Bangladesh projects worth Rs25bn, but due to current political turmoil in Bangladesh the bids are stopped, going ahead once the situation resolves the company is planning to bid in those orders.
- The Vande Bharat order worth Rs350bn, the ministry of railways have changed the scope of work earlier it was planned to have 120 train sets but now it has changed to 80 train sets but the number of coaches to produce remains the same, as earlier the train sets were gonna be of 20 coaches but now it has been changed to 24 coaches per train set, addition to this new coaches will include luggage van , pantry car, sleeper coach,etc.
- The ICF will approve the Vande Bharat coaches & the first prototype is expected to come by Sept'2025,& 2nd prototype is expected in Nov'2025, post that for 1st year 12 train sets will be manufactured, & 3rd year onwards 25 train sets will be manufacture each year.

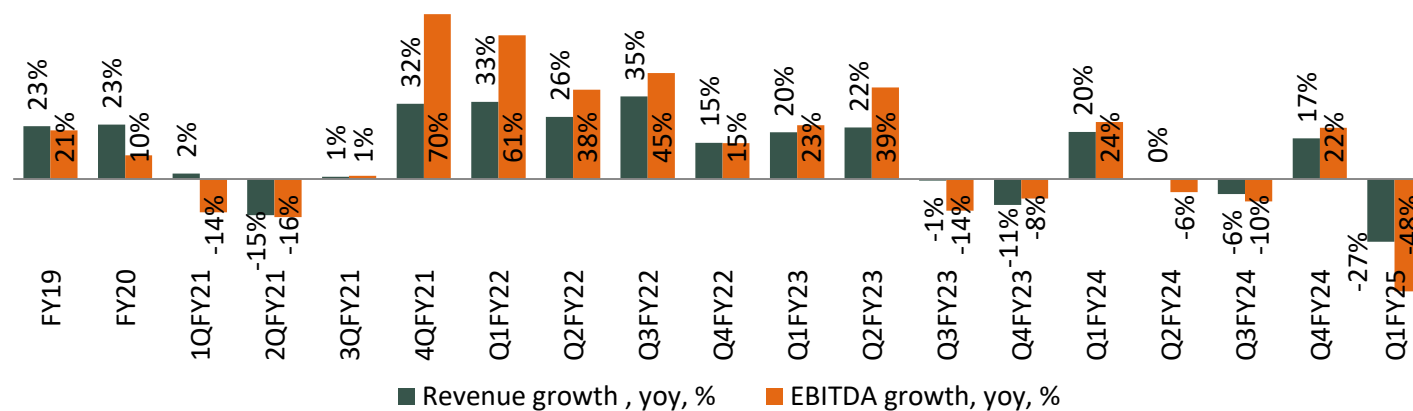
Exhibit 1: Quarterly Snapshot

(Rs mn)

Financial snapshot	June-25	June-24	YoY Chg (%)	Mar-24	QoQ Chg (%)
Net Sales	40,738	55,716	-27	67,140	-39
EBIDTA	1,815	3,491	-48	4,563	-60
EBITDA margin (%)	4.5	6.3	-181bps	6.8	-234bps
Other income	2,630	2,816	-7	2,803	-6
PBIDT	4,445	6,307	-30	7,366	-40
Depreciation	69	55	25	44	57
Interest	1,373	1,461	-6	1,504	-9
Pre-tax profit	3,016	4,868	-38	6,250	-52
Tax	777	1,437	-46	1,466	-47
Tax Rate	26	30	-376bps	23	231bps
Profit after tax	2,239	3,431	-35	4,784	-53

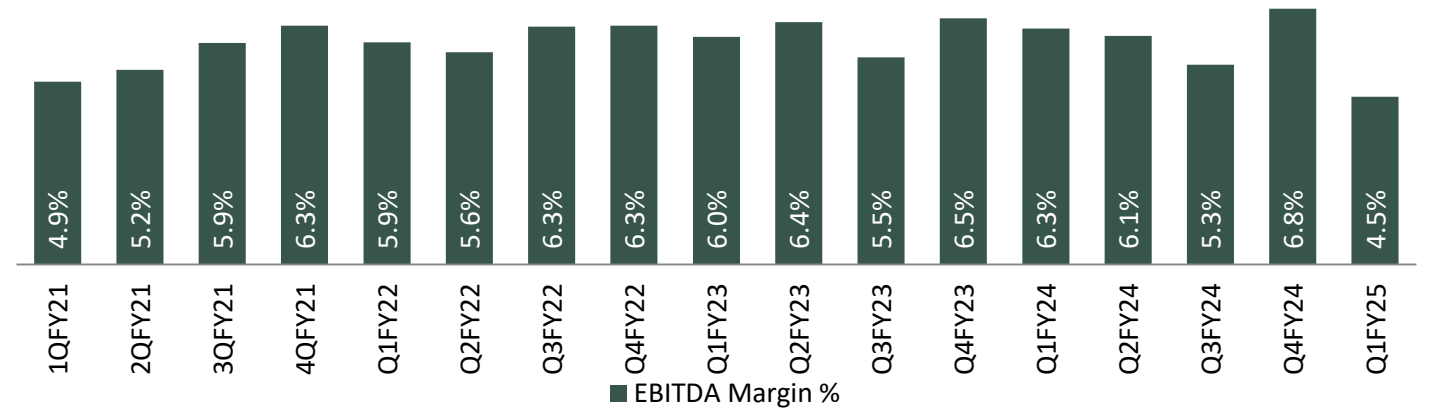
Source: Company

Exhibit 2: Revenue -27% YoY & EBITDA -48% YoY.



Source: Company

Exhibit 3: EBITDA margin at ~4.5%



Source: Company

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Net sales	1,54,037	1,93,817	2,02,816	2,18,892	2,20,021	2,33,672
<i>Change (yoy, %)</i>	6	26	5	8	1	6
Operating expenses	(1,45,239)	(1,81,987)	(1,90,348)	(2,05,364)	(2,06,155)	(2,18,729)
EBITDA	8,798	11,831	12,468	13,528	13,865	14,943
<i>Change (yoy, %)</i>	12	34	5	9	2	8
<i>Margin (%)</i>	5.7	6.1	6.1	6.2	6.3	6.4
Depreciation	(229)	(209)	(223)	(209)	(224)	(239)
EBIT	8,568	11,622	12,245	13,319	13,641	14,704
Interest paid	(4,581)	(5,637)	(5,814)	(5,685)	(5,114)	(5,114)
Other income	8,079	9,038	11,551	12,905	12,635	12,623
Pre-tax profit	12,066	15,022	17,982	20,539	21,163	22,214
Tax	(2,151)	(3,195)	(3,776)	(4,794)	(5,079)	(5,331)
<i>Effective tax rate (%)</i>	17.8	21.3	21.0	23.3	24.0	24.0
Minority Interest	-	-	-	-	-	-
Net profit	9,915	11,827	14,206	15,745	16,084	16,883
Exceptional items	-	-	-	-	-	-
Adjusted net profit	9,915	11,827	14,206	15,745	16,084	16,883
<i>Change (yoy, %)</i>	31	19	20	11	2	5
EPS	4.8	5.7	6.8	7.6	7.7	8.1
Dividend per sh	1.6	1.8	2.2	2.4	2.5	2.6
<i>Dividend Payout %</i>	33.2	32.3	32	32	32	32

Balance Sheet

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Shareholders' funds	56,361	63,247	73,251	87,457	98,352	1,09,788
Share capital	20,850	20,850	20,850	20,850	20,850	20,850
Reserves & surplus	35,511	42,397	52,401	66,607	77,501	88,937
Total Debt	56,827	63,154	60,306	55,158	57,458	57,458
Other liabilities	3,937	3,224	6,245	7,711	7,575	8,018
Curr Liab & prov	25,087	71,030	44,421	45,795	33,772	35,521
Current liabilities	24,873	70,743	44,139	45,406	33,383	35,131
Provisions	215	287	283	389	389	389
Total liabilities	85,851	1,37,408	1,10,972	1,08,663	98,805	1,00,996
Total equity & liabilities	1,42,212	2,00,655	1,84,224	1,96,120	1,97,157	2,10,784
Net fixed assets	3,456	3,807	3,560	4,604	5,929	7,029
Investments	17,302	18,097	19,824	24,052	20,694	20,694
Other non-curr assets	21,609	31,373	70,386	70,006	67,279	69,897
Current assets	99,845	1,47,378	90,454	97,458	1,03,255	1,13,165
Inventories	235	499	589	647	647	647
Sundry Debtors	12,101	12,181	13,466	15,494	22,804	23,926
Cash and Bank	20,470	68,235	18,533	11,041	(3,936)	2,120
Loans and advances	67,040	66,463	57,865	70,276	83,741	86,471
Total assets	1,42,212	2,00,655	1,84,224	1,96,120	1,97,157	2,10,784

Cash Flow Statement

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Pre-tax profit	12,066	15,022	17,982	20,539	21,163	22,214
Depreciation	-	-	-	-	-	-
Tax paid	(2,078)	(2,693)	(3,949)	(4,661)	(5,251)	(5,327)
Chg in working capital	(3,153)	45,685	(27,985)	(20,832)	(19,333)	622
Other operating activities	-	-	-	-	-	-
Cash flow from operations (a)	6,835	58,014	(13,953)	(4,954)	(3,421)	17,509
Capital expenditure	(156)	(351)	247	(1,044)	(1,325)	(1,100)
Chg in investments	(1,452)	(795)	(1,727)	(4,228)	3,358	-
Other investing activities	-	-	-	-	-	-
Cash flow from investing (b)	(1,608)	(1,146)	(1,480)	(5,272)	2,033	(1,100)
Equity raised/(repaid)	(0)	-	-	-	-	-
Debt raised/(repaid)	14,261	6,327	(2,848)	(5,148)	2,300	-
Dividend (incl. tax)	(3,294)	(3,816)	(4,583)	(5,079)	(5,189)	(5,447)
Chg in minorities	-	-	-	-	-	-
Other financing activities	-	-	-	-	-	-
Cash flow from financing (c)	10,966	2,512	(7,431)	(10,228)	(2,889)	(5,447)
Net chg in cash (a+b+c)	16,194	59,380	(22,864)	(20,453)	(4,277)	10,962

Financial Ratios

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Book Value (Rs)	27	30	35	42	47	53
Adj EPS (Rs)	4.8	5.7	6.8	7.6	7.7	8.1
Adj EPS growth (%)	31	19	20	11	2	5
EBITDA margin (%)	5.7	6.1	6.1	6.2	6.3	6.4
Pre-tax margin (%)	7.8	7.8	8.9	9.4	9.6	9.5
Net Debt/Equity (x)	0.6	-0.1	0.6	0.5	0.6	0.5
ROCE (%)	8	9	9	9	9	9
ROE (%)	18	20	21	20	17	16

DuPont Analysis

Asset turnover (x)	1.2	1.1	1.1	1.2	1.1	1.1
Leverage factor (x)	2.5	2.9	2.8	2.4	2.1	2.0
Net margin (%)	6.4	6.1	7.0	7.2	7.3	7.2

Working Capital & Liquidity ratio

Inventory days	1	1	1	1	1	1
Receivable days	29	23	24	26	38	37
Payable days	7	4	12	4	4	4

Valuations

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
PER (x)	121.1	101.5	84.5	76.3	74.7	71.1
Price/Book value (x)	21.3	19.0	16.4	13.7	12.2	10.9
EV/Net sales (x)	8.0	6.2	6.1	5.7	5.7	5.4
EV/EBITDA (x)	140.6	101.1	99.7	92.0	91.0	84.1
Dividend Yield (%)	0.3	0.3	0.4	0.4	0.4	0.5

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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