

Rail Vikas Nigam (RVNL)

HOLD

Weak Quarter on Execution Delays and Margin Compression

Summary

RVNL's Q1FY26 performance was subdued, with consolidated revenue from operations at Rs39bn, down 4.1% YoY and 39.2% QoQ, and total income at Rs41bn, reflecting a 4.6% YoY and 37.5% QoQ decline. Expenses remained broadly flat YoY at Rs40bn but fell 35.1% sequentially, while PBT dropped sharply to Rs2bn (-42.5% YoY; -68.3% QoQ) and PAT contracted to Rs1.3bn (-40.0% YoY; -70.7% QoQ), with EPS at Rs0.65 versus Rs1.07 last year and Rs2.20 in Q4. The quarter saw meaningful margin compression, driven by a weaker revenue mix, lower Ministry of Railways income, and one-off expenses, leading to a PAT decline of 40% YoY and over 70% QoQ, which, coupled with the steep sequential fall in topline, led to a cautious tone in market sentiment despite a healthy underlying order book. We have revised our rating from SELL to HOLD and arriving at TP of Rs340.

Key Highlights and Investment Rationale

- Bidding Pipeline:** RVNL's Q1 FY26 filing did not include a fresh order book figure, though the pipeline remains strong with projects across rail infrastructure. A new 100% subsidiary, Sabbavaram Sheelanagar Road Development Ltd., was incorporated to diversify execution. Delays in certain competitive-bid projects weighed on performance, while receivables from KRCL remain high at Rs13bn (Rs9bn crore interest), which could impact cash flows and other income recognition in the coming quarters.
- Guidance:** RVNL enters FY26 with a strong order pipeline, targeting a 20–25% growth in order inflows, aiming to raise inflows to approximately Rs170–180bn, up from Rs140bn in FY25. Its total order book stands near Rs970–980bn.

TP **Rs340**

CMP **Rs326**

Potential upside/downside **4%**

Previous Rating **SELL**

Price Performance (%)

	-1m	-3m	-12m
Absolute	(13.8)	(8.4)	(42.8)
Rel to Sensex	(11.4)	(6.1)	(43.9)

V/s Consensus

EPS (Rs)	FY25E	FY26E
IDBI Capital	7	8
Consensus	7	8
% difference	(1.4)	4.6

Key Stock Data

Bloomberg/Reuters	RVNL IN / RAIV.BO
Sector	Infrastructure
Shares o/s (mn)	2,085
Market cap. (Rs mn)	679,717
3-m daily avg Trd value(Rs mn)	295.4
52-week high / low	Rs619 / 295
Sensex / Nifty	80,540 / 24,619

Shareholding Pattern (%)

Promoters	72.8
FII	4.9
DII	6.4
Public	15.9

Financial snapshot

(Rs mn)

Year	FY23	FY24	FY25	FY26E	FY27E
Revenue	2,02,816	2,18,892	2,20,021	2,22,570	2,44,226
Change (yoy, %)	5	8	1	1	10
EBITDA	12,468	13,528	12,033	13,169	15,486
Change (yoy, %)	5	9	(11)	9	18
EBITDA Margin(%)	6.1	6.2	5.5	5.9	6.3
Adj.PAT	14,206	15,745	14,691	15,534	17,185
EPS (Rs)	7	8	7	7	8
Change (yoy, %)	20.1	11	(7)	6	11
PE(x)	54.6	49	53	50	45
Dividend Yield (%)	1	1	1	1	1
EV/EBITDA (x)	66	61	67	62	52
RoE (%)	21	20	16	15	15
RoCE (%)	9	9	8	8	8

Source: IDBI Capital Research

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Conference call highlights

- The company secured Rs10bn of new orders in Q1, primarily from civil and electrical engineering. Total order book stands at 1.01 lakh crore, comprising Rs605bn from open bidding projects and Rs410bn from legacy railway projects.
- Civil engineering projects, covering railways, highways, and metro systems, contribute approximately Rs260bn to the order book. Electrical works add about Rs109bn, while signalling and telecom projects account for roughly Rs147bn. Within civil engineering, major allocations include around Rs100bn for metro projects, Rs90bn for highway developments, and Rs70bn for traditional railway and irrigation works.
- Significant contracts in the Vande Bharat space include manufacturing orders worth Rs86bn (capital cost), with total O&M cost spread over ten years pegged at Rs130bn. Prototype rollout is targeted for June 2026, with commercial production expected in FY27.
- Turnover from traditional railways has declined 25% YoY but is being offset by a three-fold increase in bidding project revenues. Management remains confident of exceeding last year's revenue despite a muted Q1.
- Gross margins fell to 13.57% due to lower Ministry of Railways (MOR) income and recognition of lower-margin competitive bidding projects. Additional one-off expenses (60 crore) related to the BharatNet project and onerous contracts also impacted profitability.
- Several JV entities, including Krishnapatnam Railway, have turned profitable in FY26, with some already declaring dividends. Traffic improvement and lower finance costs are expected to boost JV profitability further.
- Current overseas order book is Rs40bn, but management has already bid for Rs100bn and has another Rs60bn in the pipeline. The company targets Rs300–350bn in overseas projects this year, with focus areas in solar, nuclear, and rolling stock maintenance.
- Most bidding projects have just started execution, and margins are expected to improve once work ramps up and claims/change-of-scope orders are sanctioned.

- Revenue recognition will begin with the prototype stage, as 90% of cost is paid upon prototype production and 10% after trials. Management expects to deliver 6–8 trainsets in FY27, with total order completion by FY32.
- The company is expanding partnerships (MOUs and JVs) in solar, nuclear, and rolling stock maintenance, with active bids in India and abroad. The solar portfolio in Europe and Asia could scale significantly, with an 800 MW pipeline in Romania.

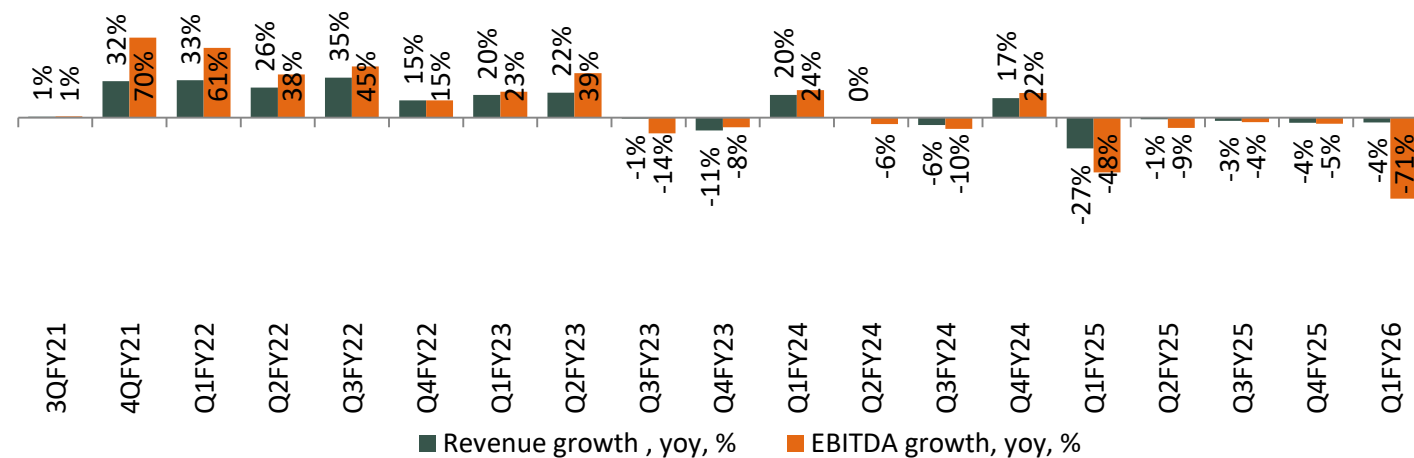
Exhibit 1: Quarterly Snapshot

(Rs mn)

Financial snapshot	Q1FY26	Q1FY25	YoY Chg (%)	Q4FY25	QoQ Chg (%)
Net Sales	39,088	40,738	-4	64,269	-39
EBIDTA	529	1,815	-71	4,328	-88
EBITDA margin (%)	1.4	4.5	-310bps	6.7	-538bps
Other income	2,282	2,630	-13	1,870	22
PBIDT	2,811	4,445	-37	6,198	-55
Depreciation	89	69	29	90	-2
Interest	1,082	1,373	-21	1,170	-8
Pre-tax profit	94	14	589	524	-82
Tax	1,734	3,016	-43	5,462	-68
Tax Rate	391	777	-50	871	-55
Profit after tax	1,344	2,239	-40	4,591	-71

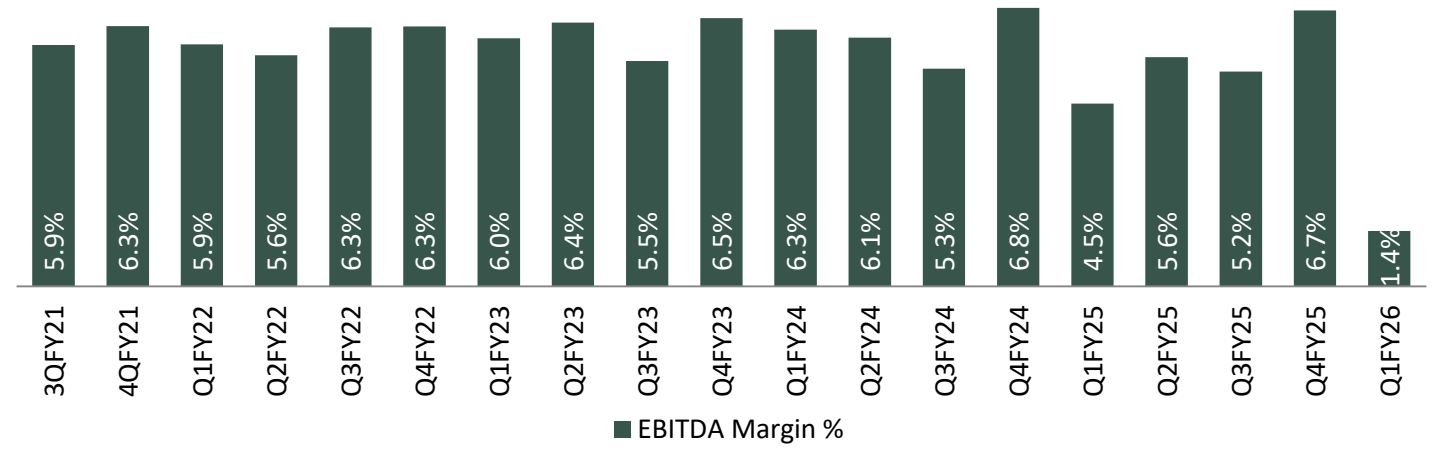
Source: Company

Exhibit 2: Revenue -4% YoY & EBITDA -71% YoY.



Source: Company

Exhibit 3: EBITDA margin at ~1.4%



Source: Company

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Net sales	1,93,817	2,02,816	2,18,892	2,20,021	2,22,570	2,44,226
<i>Change (yoy, %)</i>	26	5	8	1	1	10
Operating expenses	(1,81,987)	(1,90,348)	(2,05,364)	(2,07,988)	(2,09,400)	(2,28,741)
EBITDA	11,831	12,468	13,528	12,033	13,169	15,486
<i>Change (yoy, %)</i>	34	5	9	(11)	9	18
<i>Margin (%)</i>	6.1	6.1	6.2	5.5	5.9	6.3
Depreciation	(209)	(223)	(209)	(224)	(239)	(254)
EBIT	11,622	12,245	13,319	11,809	12,930	15,232
Interest paid	(5,637)	(5,814)	(5,685)	(5,114)	(5,114)	(5,114)
Other income	9,038	11,551	12,905	12,635	12,623	12,494
Pre-tax profit	15,022	17,982	20,539	19,330	20,440	22,612
Tax	(3,195)	(3,776)	(4,794)	(4,639)	(4,906)	(5,427)
<i>Effective tax rate (%)</i>	21.3	21.0	23.3	24.0	24.0	24.0
Minority Interest	-	-	-	-	-	-
Net profit	11,827	14,206	15,745	14,691	15,534	17,185
Exceptional items	-	-	-	-	-	-
Adjusted net profit	11,827	14,206	15,745	14,691	15,534	17,185
<i>Change (yoy, %)</i>	19	20	11	(7)	6	11
EPS	5.7	6.8	7.6	7.0	7.5	8.2
Dividend per sh	1.8	2.2	2.4	2.3	2.4	2.7
<i>Dividend Payout %</i>	32.3	32	32	32	32	32

Balance Sheet

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Shareholders' funds	63,247	73,251	87,457	97,408	1,07,931	1,19,572
Share capital	20,850	20,850	20,850	20,850	20,850	20,850
Reserves & surplus	42,397	52,401	66,607	76,558	87,081	98,722
Total Debt	63,154	60,306	55,158	57,458	57,458	57,458
`Other liabilities	3,224	6,245	7,711	7,575	7,658	8,361
Curr Liab & prov	71,030	44,421	45,795	34,027	34,224	36,913
Current liabilities	70,743	44,139	45,406	33,638	33,834	36,523
Provisions	287	283	389	389	389	389
Total liabilities	1,37,408	1,10,972	1,08,663	99,060	99,339	1,02,731
Total equity & liabilities	2,00,655	1,84,224	1,96,120	1,96,468	2,07,270	2,22,303
Net fixed assets	3,807	3,560	4,604	5,929	7,029	8,129
Investments	18,097	19,824	24,052	20,694	20,694	20,694
Other non-curr assets	31,373	70,386	70,006	61,251	61,670	65,230
Current assets	1,47,378	90,454	97,458	1,08,595	1,17,878	1,28,251
Inventories	499	589	647	647	647	647
Sundry Debtors	12,181	13,466	15,494	4,828	15,675	16,741
Cash and Bank	68,235	18,533	11,041	21,387	21,121	26,097
Loans and advances	66,463	57,865	70,276	81,732	80,434	84,766
Total assets	2,00,655	1,84,224	1,96,120	1,96,468	2,07,270	2,22,303

Cash Flow Statement

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Pre-tax profit	15,022	17,982	20,539	19,330	20,440	22,612
Depreciation	-	-	-	-	-	-
Tax paid	(2,693)	(3,949)	(4,661)	(4,810)	(4,905)	(5,420)
Chg in working capital	45,685	(27,985)	(20,832)	905	(8,843)	1,616
Other operating activities	-	-	-	-	-	-
Cash flow from operations (a)	58,014	(13,953)	(4,954)	15,425	6,692	18,808
Capital expenditure	(351)	247	(1,044)	(1,325)	(1,100)	(1,100)
Chg in investments	(795)	(1,727)	(4,228)	3,358	-	-
Other investing activities	-	-	-	-	-	-
Cash flow from investing (b)	(1,146)	(1,480)	(5,272)	2,033	(1,100)	(1,100)
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	6,327	(2,848)	(5,148)	2,300	-	-
Dividend (incl. tax)	(3,816)	(4,583)	(5,079)	(4,740)	(5,012)	(5,544)
Chg in minorities	-	-	-	-	-	-
Other financing activities	-	-	-	-	-	-
Cash flow from financing (c)	2,512	(7,431)	(10,228)	(2,440)	(5,012)	(5,544)
Net chg in cash (a+b+c)	59,380	(22,864)	(20,453)	15,018	580	12,164

Financial Ratios

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Book Value (Rs)	30	35	42	47	52	57
Adj EPS (Rs)	5.7	6.8	7.6	7.0	7.5	8.2
Adj EPS growth (%)	19	20	11	-7	6	11
EBITDA margin (%)	6.1	6.1	6.2	5.5	5.9	6.3
Pre-tax margin (%)	7.8	8.9	9.4	8.8	9.2	9.3
Net Debt/Equity (x)	-0.1	0.6	0.5	0.4	0.3	0.3
ROCE (%)	9	9	9	8	8	8
ROE (%)	20	21	20	16	15	15

DuPont Analysis

Asset turnover (x)	1.1	1.1	1.2	1.1	1.1	1.1
Leverage factor (x)	2.9	2.8	2.4	2.1	2.0	1.9
Net margin (%)	6.1	7.0	7.2	6.7	7.0	7.0

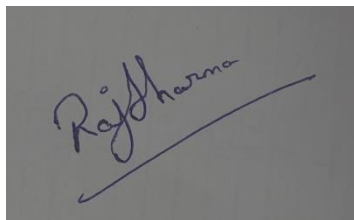
Working Capital & Liquidity ratio

Inventory days	1	1	1	1	1	1
Receivable days	23	24	26	8	26	25
Payable days	4	12	4	4	4	4

Valuations

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
PER (x)	65.6	54.6	49.3	52.8	49.9	45.1
Price/Book value (x)	12.3	10.6	8.9	8.0	7.2	6.5
EV/Net sales (x)	4.0	4.0	3.7	3.7	3.6	3.3
EV/EBITDA (x)	65.1	65.6	60.6	67.5	61.7	52.1
Dividend Yield (%)	0.5	0.6	0.7	0.6	0.6	0.7

Source: Company; IDBI Capital Research



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