

Rail Vikas Nigam (RVNL)

HOLD

Good quarter

Summary

RVNL Q4FY24 PAT beat our estimates by 20% and is driven by both higher revenue and EBITDA margin. In the previous two quarters, RVNL numbers were weak. And thus with sturdy Q4, its FY24 revenue increased by 8% and PAT increased by 11% YoY. Order book at Rs850bn is 4x TTM revenue and order book from competitive bid project is inching up to 40%+. RVNL highlighted it has witnessed EBITDA margin of 10%+ in two of competitive bid project which got completed in FY24. Post the result we increased TP to Rs303 (earlier Rs248), this factor's performance of Q4FY24 and increased PER multiple. At TP, RVNL implied multiple is 34x FY26E EPS. Retain Hold rating, we have modeled EPS increase at 8% YoY pa in FY25E and FY26E. Numbers are conservative versus RVNL guidance of 10-15% pa PAT increase for the next few years.

Key Highlights and Investment Rationale

- Q4FY24 Snapshot:** Revenue increased by 17% YoY to Rs67bn and EBITDA in Q4FY24 was Rs4.5bn up by 22% YoY, margins improved to all time high at 6.8% v/s 6.5% YoY, margins up by 25bps YoY. PAT increased by 33% YoY, this was mainly due to strong executions & improved margins.
- FY25E guidance.** RVNL expects revenue to increase by 5% in FY25, & focus will be on bottom line with expected growth of 10-15% & will target bidding projects to improve the EBITDA margins. Order inflow guidance is Rs200-250bn in FY25E and target order book of Rs1t i.e. ~4x the annual revenue. In FY24, RVNL bid for project of Rs650bn and success rate was 20%+.
- Venturing towards High Speed Rail Projects:** RVNL aims to bid for High speed rail projects under Viksit Bharat 2047 scheme, currently RVNL has no exposure in this Segment.

TP	Rs303
CMP	Rs300
Potential upside/downside	1%
Previous Rating	HOLD

Price Performance (%)

	-1m	-3m	-12m
Absolute	15.9	12.6	158.0
Rel to Sensex	14.6	10.8	138.1

V/s Consensus

EPS (Rs)	FY25E	FY26E
IDBI Capital	8	9
Consensus	7	8
% difference	9.6	11.1

Key Stock Data

Bloomberg/Reuters	RVNL IN / RAIV.BO
Sector	Infrastructure
Shares o/s (mn)	2,085
Market cap. (Rs mn)	624,776
3-m daily avg Trd value(Rs mn)	342.8
52-week high / low	Rs346 / 111
Sensex / Nifty	74,006 / 22,502

Shareholding Pattern (%)

Promoters	72.8
FII	2.3
DII	6.2
Public	18.7

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

- RVNL started bidding projects 2 years back, the first 2 projects i.e Indore Metro & Maldives project have contributed total turnover of Rs22.5bn, both the projects have contributed margins above 10% which is higher than nomination projects. In FY24 RVNL completed 12 projects the cumulative projects completion stood at 150 projects.
- The total order book by FY24 stood at around Rs850bn, around 40-45% is from the bidding orders & rest is from the nomination projects. Bid success ratio stands at around 20%.
- KRCL the traffic is increased in mn tonnes also the rakes have been increased by 25% YoY, KRCL debt has reduced and stands at Rs6.6bn, trade receivables improving and awaiting for arbitration awards.
- RVNL revenue has been improved drastically over the years also the Net profit has been grown at around 10 times, RVNL further expects to improve bottom line and focus more on improving margins. RVNL expects topline to grow by 5% , Margins to be 10%+ in bidded projects though it may differ project to project & Bottom line to grow by 15% over the next 5 years.
- Regarding Vande Bharat, signed the MCMA (maintenance cum manufacturing) agreement. Coaches will be manufactured at Latur. RVNL has invested 25% equity in SPV, equity infusion by RVNL till date is Rs1517mn & will infuse more as project moves ahead, layout & colour scheme of trainset is under approval from the ministry &
- For Vande Bharat, Timeline for manufacturing is company will commence production in Nov'24, will have to manufacture prototype by Sept'25 & then in 1st year 12 units will be produced in 2nd year 18 units will be produced & 3rd year onwards 25 units will be produced.
- Kyrgyzstan order, The DPR for the project is ready, 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.
- RVNL currently focuses mainly on Metro & Railway projects & it doesn't have any High Speed Rail projects in its portfolio till now, RVNL is keen to participate in High speed projects as it has huge share in Viksit Bharat 2047 programme.

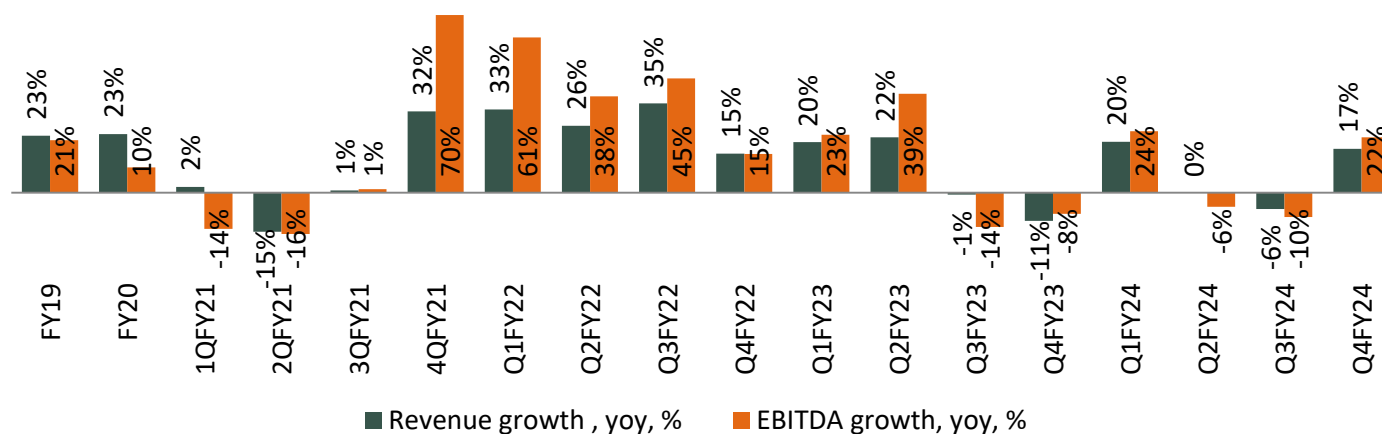
Exhibit 1: Quarterly Snapshot

(Rs mn)

Financial snapshot	Mar-24	Mar-23	YoY Chg (%)	Dec-23	QoQ Chg (%)
Net Sales	67,140	57,198	17	46,893	43
EBIDTA	4,563	3,744	22	2,491	83
EBITDA margin (%)	6.8	6.5	25bps	5.3	148bps
Other income	2,803	2,561	9	3,276	-14
PBIDT	7,366	6,304	17	5,767	28
Depreciation	44	58	-25	48	-9
Interest	1,504	1,463	3	1,394	8
Pre-tax profit	431	178	142	300	43
Tax	6,250	4,961	26	4,626	35
Tax Rate	1,466	1,368	7	1,040	41
Profit after tax	23	28	-413bps	22	97bps

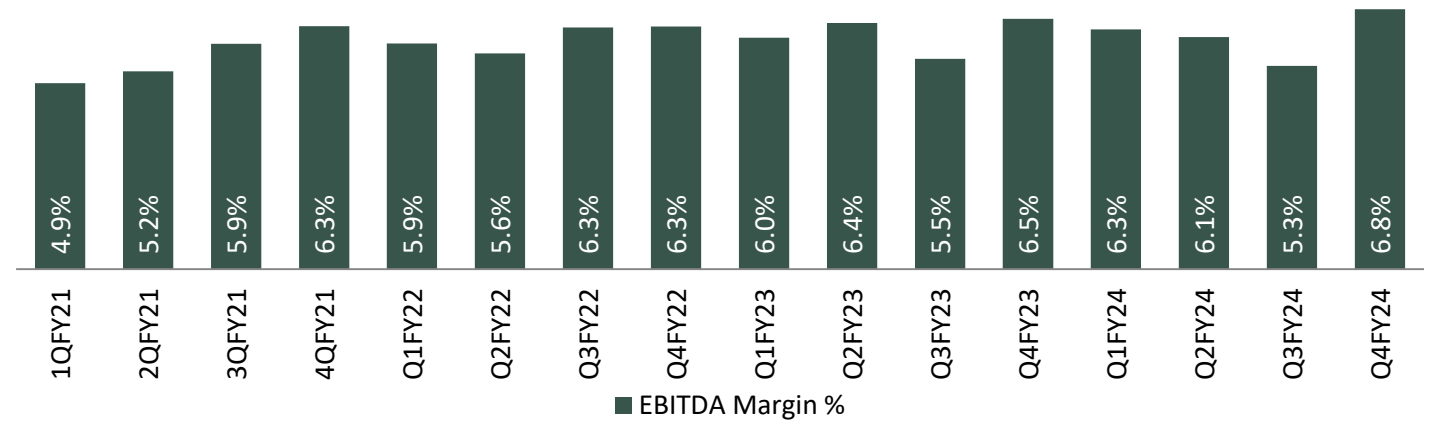
Source: Company

Exhibit 2: Revenue +17% YoY & EBITDA +22% YoY.



Source: Company

Exhibit 3: EBITDA margin at all time high at ~6.8%



Source: Company

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	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	FY24	FY25E	FY26E
Shareholders' funds	56,361	63,247	73,251	87,457	98,964	111,397
Share capital	20,850	20,850	20,850	20,850	20,850	20,850
Reserves & surplus	35,511	42,397	52,401	66,607	78,113	90,547
Total Debt	56,827	63,154	60,306	55,158	57,458	57,458
Other liabilities	3,937	3,224	6,245	7,711	8,109	8,877
Curr Liab & prov	25,087	71,030	44,421	45,795	35,896	38,930
Current liabilities	24,873	70,743	44,139	45,406	35,507	38,541
Provisions	215	287	283	389	389	389
Total liabilities	85,851	137,408	110,972	108,663	101,463	105,265
Total equity & liabilities	142,212	200,655	184,224	196,120	200,427	216,661
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	70,436	74,971
Current assets	99,845	147,378	90,454	97,458	103,368	113,968
Inventories	235	499	589	647	647	647
Sundry Debtors	12,101	12,181	13,466	15,494	24,157	26,101
Cash and Bank	20,470	68,235	18,533	11,041	(8,469)	(4,543)
Loans and advances	67,040	66,463	57,865	70,276	87,033	91,763
Total assets	142,212	200,655	184,224	196,120	200,427	216,661

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	22,351	24,151
Depreciation	-	-	-	-	-	-
Tax paid	(2,078)	(2,693)	(3,949)	(4,661)	(5,531)	(5,788)
Chg in working capital	(3,153)	45,685	(27,985)	(20,832)	(18,568)	1,082
Other operating activities	-	-	-	-	-	-
Cash flow from operations (a)	6,835	58,014	(13,953)	(4,954)	(1,747)	19,445
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)	(5,480)	(5,921)
Chg in minorities	-	-	-	-	-	-
Other financing activities	-	-	-	-	-	-
Cash flow from financing (c)	10,966	2,512	(7,431)	(10,228)	(3,180)	(5,921)
Net chg in cash (a+b+c)	16,194	59,380	(22,864)	(20,453)	(2,895)	12,424

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	8.1	8.8
Adj EPS growth (%)	31	19	20	11	8	8
EBITDA margin (%)	5.7	6.1	6.1	6.2	6.4	6.5
Pre-tax margin (%)	7.8	7.8	8.9	9.4	9.5	9.3
Net Debt/Equity (x)	0.6	-0.1	0.6	0.5	0.7	0.6
ROCE (%)	8	9	9	9	9	10
ROE (%)	18	20	21	20	18	17

DuPont Analysis

Asset turnover (x)	1.2	1.1	1.1	1.2	1.2	1.2
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	7.2	7.1

Working Capital & Liquidity ratio

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

Valuations

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
PER (x)	62.9	52.7	43.9	39.6	36.7	34.0
Price/Book value (x)	11.1	9.9	8.5	7.1	6.3	5.6
EV/Net sales (x)	4.3	3.2	3.3	3.0	2.9	2.6
EV/EBITDA (x)	75.0	52.3	53.4	49.3	45.8	40.6
Dividend Yield (%)	0.5	0.6	0.7	0.8	0.9	0.9

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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