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Issue Details	
Price Band (Rs)	17-19
Face Value (Rs)	10/-
Issue Size (Rs)	477.1 Cr
Issue Type	Book Building
Minimum lot	780 Shares
Issue Opens	March 29, 2019
Issue Closes	April 03, 2019
Listing on	BSE, NSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	April 08, 2019
Unblocking of Funds	April 09, 2019
Credit of shares to Demat Account	April 09, 2019
Listing on exchange	April 11, 2019

Other Detail	
Book Running Lead Managers	IDBI Capital Markets & Securities Limited, Elara Capital (India) Pvt Ltd, Yes Securities (India) Ltd.
Registrar	Alankit Assignments Ltd

“A discount of Rs 0.5/- per equity share will be offered to eligible employees and retail individual bidders”

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RAIL VIKAS NIGAM LTD

Company Background

Incorporated by the Ministry of Railways (MoR) under the Companies Act, 1956 on 24th January 2003, Rail Vikas Nigam Ltd (RVNL) is a wholly owned government company. It is also a Miniratna (Category-I) Schedule 'A' Central Public Sector Enterprise.

This company is incorporated with an objective to undertake rail project development, mobilization of financial resources, and implementation of rail projects pertaining to strengthening of the golden quadrilateral and port connectivity and raising of extra-budgetary resources for project execution. RVNL are in the business of executing all types of railway projects including new lines, doubling, gauge conversion, railway electrification, metro projects, workshops, major bridges, construction of cable stayed bridges, and institution buildings.

Further, the company has six special purpose vehicles (SPVs) with strategic stakeholders to undertake project development, mobilization of financial resources, and to implement projects pertaining to strengthening of the golden quadrilateral and better connectivity to various ports, which in turn contributes significantly to the total revenue of the Indian Railways.

Issue Details

The President of India acting through and represented by the Ministry of Railways (MoR), Government of India, the promoter of RVNL, is coming out with the Offer for Sale of up to 25,34,57,280 equity shares of face value of Rs. 10/- each, representing a post offer stake sale of about 12.15% and raising Rs. 477.1cr at the upper price band. Around 6.57 lacs share are to be allotted for eligible employees and there will be no anchor investment. A discount of Rs. 0.5/- per equity share will be offered to eligible employees and retail individual bidders. Achieving the benefits of listing the equity shares on the stock exchanges is the only prime objective of the offer. The company will not receive any proceeds from the offer.

IPO share allotment pattern

Category	Allocation	Number of Shares	Issue Size (Rs.Cr) at	
			Lower Band (Rs.17)	Upper Band (Rs.19)
QIB	50%	12,64,00,000	214.9	240.2
Non-Institutional Investors	15%	3,79,20,000	64.4	72.0
Retail*	35%	8,84,80,000	146.0	163.7
Employee Reservation*		6,57,280	1.1	1.2
Total	100%	25,34,57,280	426.4	477.1

*Discount of Rs. 0.5/- per equity share will be offered to eligible employees & retail shareholders

Outlook and Valuations

Rail Vikas Nigam Ltd is in the business of executing all types of railway projects. The company had strong order book position of Rs. 77504cr, which includes 102 ongoing projects. This provides revenue visibility for the next multi years. Over the last few years, the Government of India has substantially increased the budget outlay on railway capex by almost 22% CAGR. Further, the Indian Railways envisages a medium-term investment plan worth Rs. 8,56,020cr during FY16-FY20. We believe robust order book, increasing budgetary allocation, and an asset light business model places RVNL in a sweet spot to capture future market opportunity. At the upper price band, the company's stock trades at 6.95x its FY18 EPS of Rs 2.73/-. We recommend to **SUBSCRIBE** the issue from a long-term perspective.

Business Overview

RVNL is a project executing agency working for and on behalf of the MoR. The company's major client is Indian Railways and their other clients include various central and state government ministries, departments, and public sector undertakings. Until date, the company has executed railway projects on assignment basis without undergoing any competitive bidding process. Since inception in 2003, MoR has transferred 179 projects to Rail Vikas Nigam of which 174 projects are sanctioned for execution. Out of these, 72 projects have been fully completed totaling to Rs. 20,567cr and the balance are ongoing. The company has an order book of Rs. 77,504cr as on 31 December 2018, which includes 102 ongoing projects. Currently, the company does not have any national project on its order book.

Rail Vikas Nigam works on a turnkey basis and undertakes the full cycle of project development and its activities can be classified under New lines, Doubling, Gauge conversion, Railway electrification, Metropolitan transport projects, and Workshops. During FY18, the company has completed a total of 885.50 rkm (Route Kilometers) of project length, which included 315.20 rkm of doubling and 425 rkm of railway electrification.

RVNL, vide letter dated January 04, 2012 from the MoR, has been allowed a consolidated management fee (by merging the D&G charges i.e. supervision charges and management fee) on the annual expenditure incurred for the execution of projects, which is 9.25% for the metro projects, 8.50% for other plan heads, and 10% for national projects. All expenditure for project management consultancy will not have any bearing on the management fees provided to the company.

The projects undertaken by them are spread all over the country and for efficient implementation of projects, 43 project implementation units (PIUs) have been established at different locations to execute projects in their geographical hinterland. They are located at Delhi, Mumbai, Kolkata (4 units), Chennai, Secunderabad (2 units), Bhubaneswar (3 units), Bhopal (3 units), Jhansi, Kota, Jodhpur, Waltair (2 units), Bengaluru, Pune, Raipur (3 units), Lucknow (2 units), Rishikesh, Ahmedabad (2 units), Kanpur, Varanasi (2 units), Chandigarh, Mughal Sarai, Ambala, and Guwahati.

Investment Rationale

Undertaking diverse categories of projects with an asset light model

Over the years, RVNL has leveraged their 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. Each of these segments / sub-segments requires specific skillsets and experience, which have been developed by company for the timely execution of the projects in these sectors. Further, company works on an asset light model wherein in their contractor is required to provide all the machinery, plants and stores for execution of works. The company also relies on the MoR for deputation of manpower to perform supervisory tasks, etc. Moreover, the company has six SPVs, with strategic stakeholders to undertake project development, mobilization of financial resources, and to implement projects pertaining to strengthening of the golden quadrilateral and better connectivity to various ports, which in turn contributes significantly to the total revenue of the Indian Railways. Recently, the company has participated as a stakeholder in an SPV, Indian Port Rail Corporation Limited under the Ministry of Shipping, which has been formed with undertake maintenance upgradation and modernization of the port railways as well as providing capacity augmentation wherever required. With an investment of Rs. 625cr as equity in various SPVs formed along with strategic partners, company is executing projects by contribution of equity by other partners and by raising debts from financial institutions.

Expertise in undertaking all stages of project development and execution from conceptualization to commissioning

RVNL generally work 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. They have the expertise in undertaking all nature of railway infrastructure projects. This has also helped build their expertise in executing projects across a wide range of activities. The company has contributed to more than 33% of the doubling projects and more than 21% of electrification projects of the total reported by Indian Railways for the last five years. Initially, they were undertaking the execution of new lines, doubling, gauge conversion, and railway electrification projects. Upon establishing themselves in the area of execution of these conventional types of projects, the company has diversified and are executing various types of projects including construction of new railway lines in hilly regions, metro lines, workshops and institutional buildings, etc.

The following table shows the contribution of the company in last five fiscal in doubling & electrifications:

Doubling Completed				Railway Electrification (Route Length)		
Year	Total for Indian Railway (Km)	Contribution by RVNL (Km)	% Contribution by RVNL	Total for Indian Railway (Km)	Contribution by RVNL (Km)	% Contribution by RVNL
2012-13	705	273	38.72%	1317	301	22.85%
2013-14	708	241	34.04%	1350	240	17.78%
2014-15	705	260	36.88%	1375	264	19.20%
2015-16	972*	242*	24.90%	1502	335	22.30%
2016-17	881*	310*	35.19%	1646	380	23.09%
Total	3971	1326	33.39%	7190	1520	21.14%

* Till 2014-15 Indian Railways has reported length of doubling projects completed. From 2015-16, the length of doubling projects.
Source: Care Report

Empowerment by MoR for sanctioning project estimates and award of contracts

Company has been authorized by MoR to sanction detailed estimates within prescribed limits and award contracts of any value to their contractors for implementation of projects. This provides an advantage over other competitors in railway sector. This also enables them to expedite delivery timelines and reduce project delays resulting in controlling cost and time overruns. The MoR, vide their letter dated August 14, 2012, has delegated powers to company for sanctioning detailed/revised estimates for the projects entrusted to them up to 100% cost on account of price escalation and up to 20% cost on account of reasons other than price escalation on the original sanctioned cost of the projects (inclusive of maximum limit of 5% on account of material modification costing up to Rs 1.5cr in each case). The company believes that over the years, they have developed a reputation for undertaking diverse projects in a timely manner, which is reflected by their track-record of project execution. Further, the MoU ensures there is minimal delay on account of funding and improves their delivery timelines.

Standardization of operating procedures resulting in faster decision making

The Company has introduced certain standardized operating procedures to streamline and ensure faster decision making and reduction in overall timelines. These measures include preparation of standard bill of quantities for different nature of projects, standard bidding document etc. which are available on the Company's website at www.rvnl.org, ensuring easy access and transparency. The concept of multi packaging of contracts to be awarded ensures the participation of a range of prospective bidders who meet different levels of eligibility criteria. This ensures that the contracts are awarded at the most economical rates and these procedures ensure impartial and transparent decision making

Experienced Board and key Managerial Personnel

Company has a diversified Board with Directors having more than 30 years of work experience in the Indian Railways, with specific experience of the construction segment. Each of their senior management team is experienced in the industry and has been with the company for an average of more than 8 years. Also, most of the key Managerial Personnel have been with them on deputation basis. On completion of their term, some of them have been permanently absorbed in the organisation after demitting from their substantive position on the railways. Some of these re-employed personnel continue to assist the Company for certain tasks post their retirement/superannuation. Company believe that they have achieved a measure of success in attracting an experienced senior management team with operational and technical capabilities, management skills, business development 40 experience and financial management skills.

Established financial track record & strong order book

Company has established a consistent track record of financial performance and growth. Further, company has strong order book of Rs. 77,504cr as on Dec 2018. We believe this gives revenue visibility for next multi years. Moreover, Rs. 45,000cr worth of order book to be executed within next 2-3 years with remaining order book has execution timeline of 5-7 years. Also, the company's net debt to equity stands at 0.26x as on Dec 2018. During FY15-18, company's revenue & profitability including other income has grown at a CAGR of 34.2% & 19.2% respectively. During the same period, reported operating margin was in a range of 8%. Further, for execution of projects, company has been allowed to charge fixed margin of 8.5% for projects other than metro & 9.25% for metro projects. Moreover, the company's dividend payout ratio has improved from 9% in FY15 to 38% as on H1FY19.

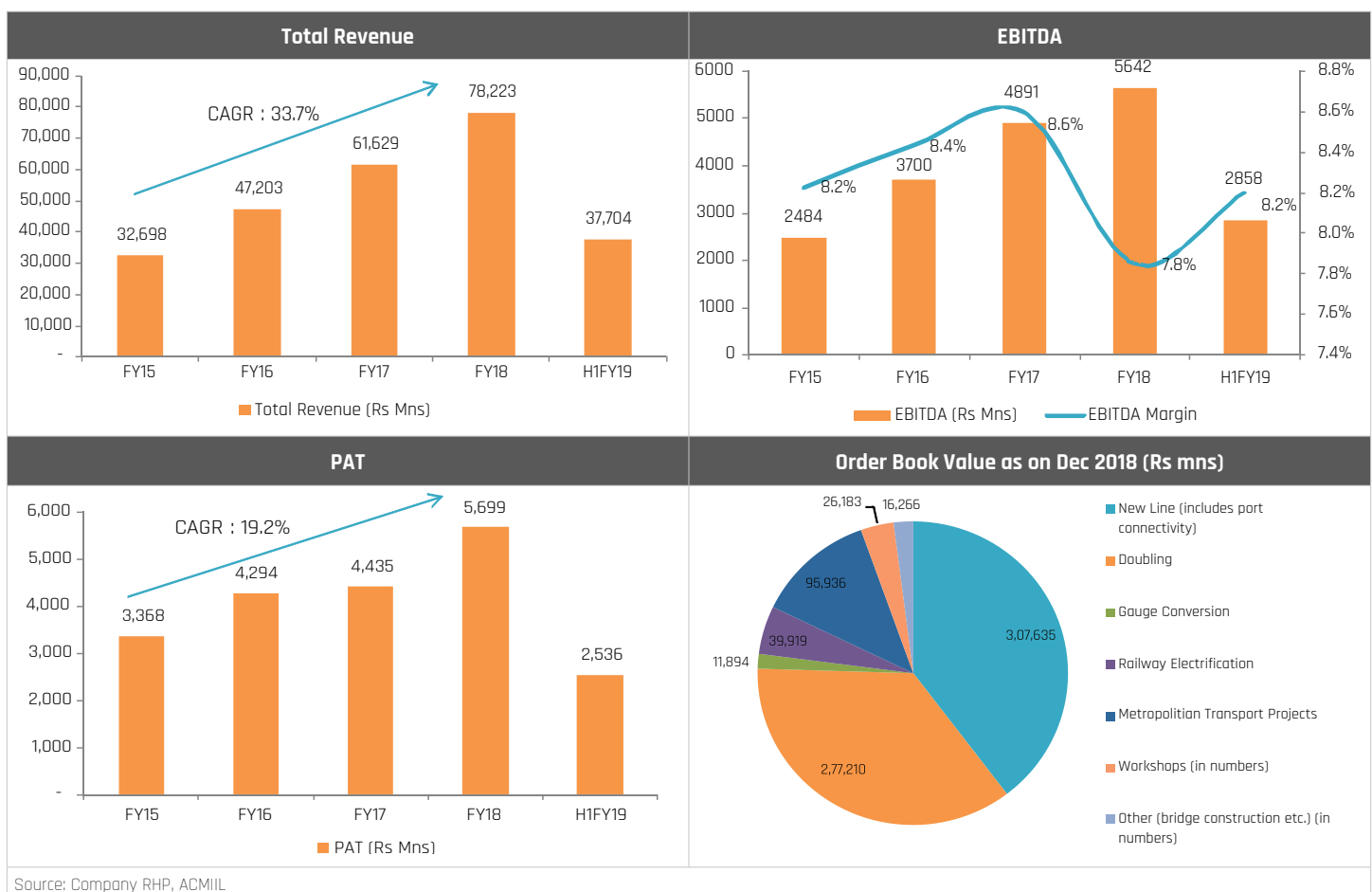
Risk Factors

- The company's primarily order book caters to Indian Railway & thus higher dependence on limited customers poses risk of overdependence.
- There is no assurance that future projects will be transferred to them for execution on assignment basis, which will in turn affect their results of operations and financial condition.
- 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.
- The company largely depends on MoR for funds and manpower supply which may lead to a delay in execution of projects and limit the number of projects undertaken by them.

Peer Comparison -FY18

Name of Company	FV	EPS (Rs)	NAV (Rs Per Share)	PE	ROE (%)
Rail Vikas Nigam Ltd	10	2.73	18.83	6.95	14.52
IRCON International Ltd	10	42.13	383.64	9.10	10.98

Source: Company RHP, ACMIIL



Financials

Income statement

Particulars (Rs Mns)	FY15	FY16	FY17	FY18	H1FY19
Revenue from Operations	31,465	45,399	59,151	75,974	36,229
Add: Other Income	1,232	1,804	2,478	2,249	1,475
Total Revenue	32,698	47,203	61,629	78,223	37,704
Less: Operating exp					
Expenses on Operations	28,957	41,889	54,678	70,240	33,511
Employee Benefit Expenses	771	967	1,170	1,340	776
Other Expenses	234	309	423	429	225
CSR and R&D Expenses	47	60	61	77	102
Total Expenses	30,009	43,225	56,333	72,086	34,614
EBITDA	2,688	3,978	5,296	6,137	3,090
EBITDA %	8.2%	8.4%	8.6%	7.8%	8.2%
Less : Dep & Amortization	51	47	50	48	27
EBIT	2,637	3,931	5,245	6,089	3,063
Less : Finance cost	153	231	355	447	206
Profit/(loss) before exceptional items and tax	2,484	3,700	4,891	5,642	2,858
Share in Profit/(Loss) of Joint Ventures	1,281	1,289	542	998	244
PBT	3,766	4,990	5,433	6,640	3,101
Less : Tax	397	695	998	941	565
Net Profit	3,368	4,294	4,435	5,699	2,536
PAT %	10.3%	9.1%	7.2%	7.3%	6.7%
Diluted EPS (Rs)	1.62	2.06	2.13	2.73	1.22

Source: Company RHP, ACMIIL

Balance Sheet

Particulars (Rs Mns)	FY15	FY16	FY17	FY18	H1FY19
Share Capital	20,850	20,850	20,850	20,850	20,850
Other Equity	9,755	13,374	14,719	18,402	19,771
Total Shareholders Fund	30,605	34,224	35,569	39,252	40,621
Non Current Liabilities					
(i) Borrowing	25,140	25,241	24,369	22,591	19,633
(ii) Other Financial Liabilities				3,748	3,225
Other Non current liabilities				401	285
Provisions	51	75	89	92	82
Total Non Current Liabilities	25,191	25,316	24,458	26,832	23,225
Current Liabilities					
(i) Trade Payables	450	905	1,099	684	1,489
(ii) Other Financial Liabilities	6,657	7,662	9,122	8,913	9,616
Other Current Liabilities	98,227	1,52,804	17,939	9,424	11,725
Provisions	147	230	409	451	613
Current Tax liability (Net)	77	16	-	129	35
Total Current Liabilities	1,05,558	1,61,617	28,569	19,601	23,478
Total Liabilities	1,61,354	2,22,157	88,596	85,685	87,324
Assets					
Non Current Assets					
Property, plant & Equipment	58	60	76	2,488	2,489
Other Intangible assets	0	0	0	1	1
Intangible assets under development	17	56	127	211	273
(i) Investments in Joint Venture	8,957	10,139	10,785	12,222	12,466
Financial Assets:					
(i) Investments	-	100	100	100	100
(ii) Lease Receivables	4,985	6,368	11,468	17,195	14,799
(iii) Loans	34	49	66	65	69
(iv) Others	4,611	4,972	4,914	4,626	3,895
Deferred tax assets (Net)	292	375	410	656	676
Other non-current assets	8	9	1,641	3	2
Total Non Current Assets	18,962	22,126	29,586	37,567	34,768
Current Asset					
Project-Work-in-Progress	1,15,647	1,48,241	7,663	19	62
(i) Trade Receivables	1,869	4,808	2,790	9,353	11,767
(ii) Lease Receivables	752	1,090	2,004	2,413	2,627
(iii) Cash and cash equivalents	8,081	13,776	12,546	3,429	508
(iv) Bank Balances other than (iii) above	4,850	16,550	14,500	10,600	12,213
(v) Loans	14	11	11	74	75
(vi) Others	2,190	2,212	4,412	4,521	3,251
Other current assets	8,822	13,269	14,979	17,611	22,007
Current Tax Asset (Net)	167	75	105	99	46
Total Current Asset	1,42,392	2,00,030	59,010	48,119	52,556
Total Asset	1,61,354	2,22,157	88,596	85,685	87,324

Source: Company RHP, ACMIL

Asit C. Mehta

INVESTMENT INTERMEDIATES LTD.

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