

Subscribe for Long Term

Issue Details

Price Band (Rs)	Rs.93- 94
Face Value (Rs)	10
Issue Size (Rs)	819.24Cr
Issue Type	Book Building
Minimum lot	155
Issue Opens	February 16, 2021
Issue Closes	February 18, 2021
Listing on	BSE, NSE

Indicative Timeline

Indicative Timeline	On or before
Finalization of Basis of Allotment	February 23, 2021
Unblocking of Funds	February 24, 2021
Credit of shares to Demat Account	February 24, 2021
Listing on exchange	February 26, 2021

Other Detail

Book Running Lead Managers	ICICI Securities Limited, IDBI Capital Markets & Securities Limited, SBI Capital Markets Limited
Registrar	KFin Technologies Private Limited

RAILTEL CORPORATION OF INDIA LIMITED

Company Background

Incorporated in 2000, RailTel Corporation is a public sector business unit, wholly owned by the Government of India (GOI) and administrated by the Ministry of Railways. It is an Information and Communication Technology (ICT) infrastructure provider company. The company was established with the key objective to modernize telecom infrastructure and today, it is one of the largest telecom infrastructure providers. RailTel uses the latest technology like high dense wavelength division multiplexing (DWDM) and multi-protocol label switching (MPLS) network. The company has data centers in Haryana, Gurugram, Secunderabad, and Telangana.

Issue Details

The offer comprises of Offer for sale of Equity shares aggregating upto Rs.819.24Cr at upper price band.

Issue Objectives

- To carry out the disinvestment plan by selling shareholder.
- Achieve the benefits of listing the Equity Shares.

IPO Share Allotment Pattern

Category	Allocation	Number of Shares	Issue Size (Rs.Cr) at Rs.93	Issue Size (Rs.Cr) at Rs.94
QIB	50%	4,33,26,684	402.94	407.27
Non-Institutional	15%	1,29,98,005	120.88	122.18
Retail	35%	3,03,28,679	282.06	285.09
Employee		5,00,000	4.65	4.70
Total		8,71,53,369	810.53	819.24

Outlook and Valuations

RailTel is an information and communications technology infrastructure provider and one of the largest neutral telecom infrastructure providers in India. RailTel has a strategic relationship with the Indian Railways and undertakes a wide variety of projects. With the Railways' digital transformation and the government focusing on modernising the railways, the company is gearing for steady growth going forward. At the upper price band of Rs.94, the stock is valued at 21.17x FY20 EPS of Rs.4.44/-. **We recommend subscribing to the issue from a long-term perspective.**

Investment Rationale

Among the largest neutral telecom infrastructure providers in India with pan-India optic fiber network

As of January 31, 2021, RailTel had exclusive right of way along 67,415 route kilometers connecting 7,321 railway stations for laying optical fiber cable. As of January 31, 2021, the Company had over 59,098 route kilometers of optical fiber cable network and have connected 5,929 railway stations across towns and cities in India. RailTel offers high capacity bandwidth of up to 800G at 87 locations in India. RailTel's pan-India network comprises various technologies including next generation network ("NGN"), packet transport network, DWDM and IP-MPLS that are maintained by their network operations

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centers (“NOCs”) at Mumbai, Delhi, Kolkata and Secunderabad. The Company has developed a retail broadband network and applications to retail customers across India through its ‘RailWire’ platform. As of January 31, 2021, the Company had 305,746 users of its ‘RailWire’ service.

Diversified Portfolio of Services and Solutions

Railtel offers the following services

Telecom Network Services

- **National Long Distance (“NLD”) Services:** provides digital capacity to carry long distance telecommunication services (voice, data, fax, text, video and multimedia).
- Internet Service Provider (“ISP”) Services.

Telecom Infrastructure Services

- **Passive Infrastructure (“IP-1”) Services:** storage, power, cooling, and physical security for servers and networking equipment of customers.
- Space on microwave towers for collocating base transceiver stations (“BTS”) for telecom operators, small cell sites.
- Single core dark fiber for transmission of digital video signals to multiple system operators (“MSOs”) for cable distribution.

Managed Data Center and Hosting Services

- **Data Centre and Managed Hosting:** Infrastructure as a Service (IaaS), dedicated hosting, managed services, cloud computing, managed e-Office services, disaster recovery services.
- **Telepresence Services:** end-to-end hosted multitenant video conferencing facility.
- **Security Operations Centre as a Services:** cyber security incident prevention and security event monitoring services.

Projects Services

- **ICT Hardware, Software and Service System Integration Projects:** undertake ICT hardware implementation, software delivery and digital transformation projects.
- **Digital Services:** unified communications, Wi-Fi as a service, e-tendering/ e-auction/ smart payments and disaster management services.
- **Other Services:** consultancy services for ICT services and solutions and signaling services.

Key partner to the Indian Railways in digital transformation

RailTel provides a variety of services to the Indian Railways and has implemented MPLS data network for integrated payroll and accounting system, unreserved ticketing system, freight operations information system and coaching operations information systems. Railtel is responsible for upgradation of RailNet over a WAN by providing centralized mailing system and security systems through the supply, installation and commissioning of IP-MPLS network at divisions, zones, production units and central training units of the Indian Railways. The company is also working with the Indian Railways to transform railway stations into digital hubs by providing public Wi-Fi at railway stations across India. RailTel is awarded mandates by the Indian Railways on a nomination basis, owing to its unique infrastructure along railway tracks, technical capabilities and its longstanding relationship with the organization.

Experience in executing projects of national importance with a robust pipeline of projects

National Knowledge Network (NKN)

- Envisages connecting all higher education and research institutes across a common platform.
- Railtel appointed to implement across 26 universities in India.

Bharat Net

- Government initiative to provide broadband services to rural areas.
- To connect approximately 250,000 gram panchayats and provide high-speed broadband connectivity.

ESIC Project

- Operations and maintenance of network and infrastructure operations in connection with implementation of social security programme.
- To enable stakeholders to avail anytime, anywhere healthcare services across the country and creation of a medical database.

E - Office

- For Indian Railways
 - Phase I: 50,000+ users from 17 railway divisions, production units etc.
 - Phase II: 39,000+ users, 46 railway division.
 - Setting up such e-offices for large government entities.

Kerala Fiber Optic Network (KFON)

Provision of scalable and resilient optic fiber across Kerala.

Expand its Services Outside India

Company intend to offer services selectively in jurisdictions outside India and leverage its existing technology to implement its capabilities other countries. Bidding for project in Africa (supply, delivery, installation and commissioning of goods and service for digital literacy in public primary schools in Kenya). Evaluating projects in Bangladesh and Jordan for modernizing and digitizing existing networks. Exploring business opportunities in Mauritius and in healthcare segment.

Financial Snapshot

Particulars (RsMns)	FY2018	FY2019	FY2020	H1FY21
Equity share capital	3209	3209	3209	3209
Net worth	12,292	12,891	13,694	13,946
Net asset value per share	38.30	40.17	42.67	43.45
Revenue from Operations	9,768	10,033	11,281	5,374
EBITDA	2,821	3,372	3,224	1,464
EBITDA %	29%	34%	29%	27%
Net Profit	1,340	1,354	1,411	456
Diluted EPS (Rs)	4.18	4.22	4.40	1.42*
ROE	10.9%	10.5%	10.3%	3.27%*

*Not annualized , Source: Company RHP, ACMIIL Research

Comparison With Listed Peers : There are no listed companies in India in the same line of business as that of the Company.

Risk and Concern

- The telecommunications industry in India is highly regulated and changes in laws, regulations or governmental policy could potentially adversely affect Railtel business, prospects, financial condition, cash flows and results of operations.
- If Railtel do not continue to provide telecommunications or related services that are technologically up to date, Railtel may not remain competitive, and their business, prospects and results of operations may be adversely affected.

ACMIIL Retail Research Products

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Morning Notes	Momentum Calls
Equi-Tea	Positional Calls
Market Watch	Smart Delivery Calls
Investor First Magazine	Investment Ideas
IPO/NCD/ETF/OFS/BOND	Master Trades High Risk
Market Pulse	Master Trades Medium Risk
RBI Monetary Policy	Techno-Funda
Union Budget Report	Top Mutual Fund Schemes
Weekly Derivative Synopsis	Portfolio Review
Rollover Snapshot	Stock Basket
Rollover Analysis	

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