

Issue Details

Op. Date	29 th Mar – 2019
Closing Date	3 rd Apr – 2019
Issue Price	Rs.17 – Rs.19
FV	Rs. 10 per eq. share
Listing at	NSE & BSE
BRLMs	Yes Securities, IDBI Capital & Elara Capital

Minimum Retail Application Details at cut of price

Number of Shares	780 shares
Issue Size (Rs. in Crs)	482
Discount to Retails	NIL

Shareholding Pattern Pre offer Post Offer

Promoter	100%	88%
others	0%	12%

Objective of the Issue

Main purpose of the IPO is to carry out the disinvestment of equity shares held by the selling shareholder in the company and achieve the benefits of listing the equity

Issue Size Allocations Eq. Share

QIB	50%	241 Crs
HNI	15%	72 Crs
RIL	35%	169 Crs

Valuations Lower Band Higher Band

MCAP	3544 Crs	3961 Crs
EPS	2.73	2.73
BV	18.83	18.83
P/BV	0.90	1.00
p/e	6.22	6.95

Research Analyst

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Rail Vikas Nigam Ltd. - Subscribe

Company Background

Rail Vikas Nigam Ltd (RVNL), is a wholly owned government company, a Miniratna (Category – I) Schedule “A” Central Public Sector Enterprise, incorporated by the Ministry of Railways (MoR) as a project executing agency working for and on behalf of MoR. The company is 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, institution buildings etc. Over the past five years, RVNL has executed more than 33% of the doubling projects and 21% of electrification projects of the total projects of Indian Railways. In terms of clientele, major portion of the business comes from the Indian Railways. Other client includes various central and state government ministries, departments and public sector undertakings.

Investment Rationale

- Expertise in undertaking all stages of project development and execution from conceptualisation to commissioning
- Established financial track record
- Undertaken diverse categories of projects with an asset light model
- Experienced Board and Key Managerial Personnel and skilfully trained workforce

Outlook & Valuation

RVNL is engaged in the business of mobilization of financial resources, rail project development; enhance golden quadrilateral and ports connectivity by implementing rail projects and raise extra budgetary resources for Indian railway project execution. Indian railways are the major client of the company and public sector undertaking, state and central government departments are the other clients. The IPO is valued at very attractive valuations of mere 6.95 x on an FY18 basis, we recommend SUBSCRIBE to the issue.

Particulars	FY15	FY16	FY17	FY18	H1FY19
Total	3146	4540	5915	7597	3623
Income					
EBITDA	269	399	530	614	309
PAT	336	429	443	569	253
EPS	4.58	7.03	5.43	7.29	13.54
EBITDA M	8.55%	8.79%	8.96%	8.08%	8.53%
PAT M	10.68%	9.45%	7.49%	7.49%	6.98%

Source: RHP

Amt in Crs

They have the expertise in undertaking all nature of railway infrastructure projects.

Their revenue from operations has increased at a CAGR of 29.36% from FY16 -18, and their net profit has increased at a CAGR of 15.20% from FY16 – 18.

RVNL have, over the years, 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 the senior management team is experienced in the industry and has been with the Company for an average of more than 8 years.

Investment Rationale

1. Expertise in undertaking all stages of project development and execution from conceptualisation 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. RVNL have 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 (FY13- 17)

2. Established financial track record

RVNL has established a consistent track record of financial performance and growth. Their revenue from operations has increased at a CAGR of 29.36% from ₹45,398.54 million in the Financial Year 2016 to ₹75,973.58 million in the Financial Year 2018, and their net profit has increased at a CAGR of 15.20% from ₹4,294.34 million in Financial Year 2016 to ₹5,699.20 million in the Financial Year 2018. As on December 31, 2018, their total order book value was ₹775,042.80 million.

3. Undertaken diverse categories of projects with an asset light model

RVNL have, over the years, 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 require specific skill sets and experience which have been developed by the Company for the timely execution of the projects in these sectors. For every project assigned to the company by the MoR, they are required to enter into various contracts for the execution and supervision by the PMC of the project assigned.

4. Experienced Board and Key Managerial Personnel and skilfully trained workforce

RVNL have 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 the senior management team is experienced in the industry and has been with the Company for an average of more than 8 years. Most of the Key Managerial Personnel have been with the company 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.

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