

Rating:



Company Description

RITES Ltd, a Government of India Enterprise was established in 1974, under the aegis of Indian Railways. RITES Ltd is incorporated in India as a Public Limited Company under the Companies Act, 1956 and is governed by a Board of Directors, which includes persons of eminence from various sectors of engineering and management.

Issue Summary

Price Band (Rs)	Rs.180-185 Per Share
Face Value (Rs)	10
Total No. of shares	200,000,000 Equity Shares
Market Lot	80 Shares
Opens	20 th June 2018
Closes	22 nd June 2018
Issue Size (Rs)	25,200,000 Equity Shares of Rs 10 amounting Rs. 466.20 Cr.
Listing	BSE, NSE

Business Profile

RITES Ltd is a multi-disciplinary consultancy organization in the fields of transport, infrastructure and related technologies. It provides a comprehensive array of services under a single roof and believes transfer of technology to client organizations. In overseas projects, RITES actively pursues and develops cooperative links with local consultants / firms, as means of maximum utilization of local resources and as an effective instrument of sharing its expertise.

Core Business

- Design, engineering and consultancy services in transport infrastructure sector with focus on railways, urban transport, roads and highways, ports, inland waterways, airports and ropeways;
- Leasing, export, maintenance and rehabilitation of locomotives and rolling stock;
- Undertaking turnkey projects on engineering, procurement and construction basis for railway line, track doubling, 3 rd line, railway electrification, up gradation works for railway transport systems and workshops, railway stations, and construction of institutional/ residential/ commercial buildings, both with or without equity participation
- Wagon manufacturing, renewable energy generation and power procurement for Indian Railways through our collaborations by way of joint venture arrangements, subsidiaries or consortium arrangements.

Issue Break Up

QIB Portion	50%
NIB Portion	15%
Retail Portion	35%

Book Running Lead Managers

➤ Elara Capital Ltd
➤ IDBI Capital Ltd
➤ IDFC Bank Ltd
➤ SBI Capital Markets Ltd

Registrar

➤ Link Intime India Private Ltd

IPO Meet Highlights

- Company has negligible borrowings. The aim is to maintain a similar level of debt in the next 3-5 years. The component of debt is restricted only to the energy business.
- **Over the years, Company has followed a trend where its revenue is always higher in the last two quarters of the year as compared to the previous two. A similar trend is expected to continue in the coming years. This trend is mainly because of exports.**
- Company expects a growth in the following businesses in the coming years.
 - Energy
 - Turnkey Projects
- Over the years, the consulting business has been the main contributor of revenue (roughly 60-70%), and this business enjoys has a high profit margin.

Revenue break-up

Sr No.	Segment	Year ended (March 31,2015)		Year ended (March 31, 2016)		Year ended (March 31, 2017)	
		(Rs Cr)	(%)	(Rs Cr)	(%)	(Rs Cr)	(%)
1. Sale of Services							
A.	Consultancy Services	7,03.1	69.4	769.0	70.5	834.9	61.6
B.	Leasing Services	69.3	6.8	90.2	8.2	93.2	6.8
2. Sale of Products							
A.	Export Sales	149.2	15.0	186.0	17.0	377.4	28.0
3.	Turnkey Construction Projects	91.0	9.0	38.6	4.0	31.3	2.0
4.	Sale of Power Generation	-	-	7.0	1.0	16.9	1.0
TOTAL (1+2+3+4)		1013	100	1090	100	1353	100

Company Promoters

The Promoter of the company is the President of India acting through the MoR. The Promoter currently holds, directly and indirectly (through his nominees), 100% of the pre-Offer paid-up Equity Share capital of the Company.

Objective of the Issue

1. To carry out the disinvestment of 24,000,000 Equity Shares held by the Selling Shareholder in the Company, equivalent to 12% of the issued subscribed and paid up Equity Share capital of the Company as part of the Net Offer, and such Equity Shares that may be reserved for Employee Reservation Portion, if any, subject to necessary approvals.
2. To achieve the benefits of listing the Equity Shares on the Stock Exchanges.

Peer Comparison

The company has no direct domestic competition; however a few companies offer some competition in certain segments. There are no comparable listed companies in India engaged in the similar line of business as this company; hence comparison with industry peers is not applicable.

Dividend policy

The company follows a dividend policy to maintain a dividend payout ratio of at least 30% or 5% of Net-Worth.

Competitive Strengths

- Company provides a comprehensive range of consultancy service offerings, primarily in the transport infrastructure space, in order to address the varied and expanding requirements of the clients across the market segments in which they operate.
- Comprehensive range of services enables the company to access additional business opportunities from existing clients as well as to address the requirements of a larger base of potential new clients and also enables the company to develop long-term relationships with clients in India as well as abroad.
- Company has developed specialized expertise over the years in providing consultancy services across major market segments in the transport infrastructure sector including railways, urban transport, roads and highways, ports, inland waterways, airports and ropeways.
- Company has a diversified sector portfolio in consultancy services in the transport infrastructure sector that enables them to access sectors with growth potential according to changing macroeconomic trends and also enables them to expand operations in the sectors in which it already has significant presence.
- Company has the ability to collaborate and work jointly through alliances, joint ventures, subsidiaries and consortium arrangements. This enables them to enhance the quality of services and allows them to focus their attention on certain large – scale projects and to develop technical expertise and domain knowledge through collaboration with their partners in comparatively newer market segments.

Summary of Financial Information

Particulars	For the year/period ended (in Rs. Cr)				
	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14	31-Mar-13
Total Assets	4803.17	4409.22	3605.60	3636.32	3286.96
Total Revenue	1563.72	1226.72	1159.17	1223.70	1083.05
Profit After Tax	362.43	282.71	312.28	260.56	233.57

Particulars (Rs. in Cr.)	Period Ended	Year Ended		
	30/9/17	31/3/17	31/3/16	31/3/15
Net Profit before tax	219.4	508.3	451.1	468.4
Cash Flow From Operating Activities	185.4	386.8	64.1	109.6
Cash Flow From Financing Activities	-104.0	-214.5	34.03	-53.25
Cash Flow from Investing Activities	-240.3	-29.9	-125.9	169.4
Net Cash Flow	-158.9	142.4	-27.77	225.75

Year/Period ended	Basic EPS (₹)
March 31, 2015	15.61
March 31, 2016	14.06
March 31, 2017	17.67
Weighted Average	16.12
Six month period ended September 30, 2017 [#]	6.77

Not annualised

Board of Directors	
Mr. Rajeev Mehrotra	Chairman & Managing Director
Mr. Arbind Kumar	Director Projects
Mr. Ajay Kumar Gaur	Director Finance
Mr. Mukesh Rathore	Director Technical
Mr. Bhupendra Kr. Agarwal	Govt. Nominee Director
Mr. A P Dwivedi	Govt. Nominee Director
Mr. Anil Kr. Goel	Independent Director
Mr. Satish Sareen	Independent Director
Dr. Vidya Rajiv Yeravdekar	Independent Director
Dr. Pramod Kr. Anand	Independent Director
Dr. R.N.Goyal	Independent Director

Key Notes

- The Revenue is growing at CAGR of 9.63% from FY13 to FY17.
- The PAT is growing at CAGR of 11.13% from FY13 to FY17.
- The Annualized EPS for FY17-18 would be 13.54.
- P/E= 13.5 at cut-off price of 185.
- P/B = 1.81 at cut-off price of 185 as on FY17.
- The company is almost debt free.
- The Company is generating positive cash flows from operations in last 5 years.

Valuations

The issue has been offered at a price band of Rs 180-185 per equity share. At the upper price band of Rs 185, the stock is available at price-to-earnings multiple of 13.5 (attractively priced) to its FY18 annualized EPS of Rs 13.54. There are no comparable listed companies in India engaged in the same line of business and hence the threat of competitors is low. Considering these factors, we have a “**3.5 star**” rating for the issue.

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