



RITES Limited
Q2 & H1 FY22 Results Conference Call
November 12, 2021

Management

1. Shri Rahul Mithal – Chairman and Managing Director (CMD)
2. Shri Bibhu Prasad Nayak – Director Finance (DF)
3. Shri Joshit Ranjan Sikidar – Company Secretary (CS)

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Moderator: Good morning, Ladies and Gentlemen. I am Stanford, the moderator for this conference. Welcome to Conference Call of RITES Limited arranged by Concept Investor Relations to discuss its Q2 and H1 FY22 Results. We have with us today, Shri Rahul Mithal – Chairman and Managing Director and Shri Joshit Ranjan Sikidar – Company Secretary. At this moment, all participants are in listen-only mode. Later we will conduct a question-and-answer session. At that time, if you have a question, please press ‘*’ and ‘1’ on your telephone keypad. Please note this conference is being recorded. I would now like to hand the floor over to Shri Rahul Mittal – Chairman and Managing Director. Thank you and over to you, sir.

Rahul Mithal: Good morning, everybody. Just to add, I think Stanford missed that I have with me my CFO and Director Finance Mr. Nayak and my entire team. Just to add to that, that I have recently joined as CEO and Chairman and Managing Director of RITES on 7th October. I am privileged and humbled to head this organization with a rich past of 47 years. I'm from the Indian Railway Service of Mechanical Engineers, worked for 20 + years with Indian Railways and then last 10 years in Container Corporation and now I'm heading RITES.

To take this forward, the results as you see have been uploaded on the website and the figures seem to be encouraging. We have built up on the platform of Q1.

Let me begin with the safe harbor statement. The presentation and press release which has been uploaded and all discussions that we have today may have some forward-looking statements. These statements obviously carry some risk and uncertainty because of which the actual results could be different. We don't undertake to update these statements periodically.

And when we talk about the highlights of the results which you have seen on the print and social media, of those some brief figures I'll make as an opening statement and then we'll open-up the forum for questions.

The quarter revenue has gone up by about 57% (standalone) and the operating revenue has gone up by 74%. Core EBITDA has shown a growth of about 69% and is primarily on account of export and leasing growth. The PAT is up by 25%. These are comparative figures between Q2 of FY22 vis-à-vis Q2 of FY21. The core EBITDA and PAT margins sustained at healthy 27% and 21%.

Our important subsidiary REMCL has also shown a healthy growth of 31% in revenue and almost double the profit.

We have declared a second interim dividend of Rs 4 per share and we have a consolidated order book as of 30th September of Rs.6435 crore.

With these brief opening comments, I leave the forum open for questions. Thank you very much.

Moderator:

Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Chintan Sheth from Sameeksha Capital.

Chintan Sheth: First question is on the recent railway board's order on opening up the rail contracts for the private firms as well. Any implications? if you can highlight what kind of risks and opportunity. ...It will impact RITES in the future specially for the consultancy business because large part of the business was coming from railways on the nomination basis. If it goes to private firms, how should we look at RITES' ability to win contracts in future? Second is on the export side, we have anticipated...

Rahul Mithal: **Chintan... sorry...** I'll interrupt you. So as Stanford mentioned in the beginning, I'll take one question at a time and then you can come back in the queue. There can be a supplementary question on the same subject but then I would request you to come back for the second question on export later. So, answering your specific question on this recent circular of Railway board - two key points. One is its impact on our existing order book or future order book. So, while there were railway orders which were in pipeline and yet to fructify, we would aim to take them to a logical conclusion. But in fact, I see the circular as an opportunity rather than a challenge because for consultancy business... if you're following RITES, you must have seen that RITES in consultancy is doing works across the spectrum of clients, whether it is state governments, other PSUs, private players, domestic as well as internationally. So, I would take this as an opportunity to in fact leverage to become more competitive and take on more work, both domestic as well as internationally. As far as turnkey works are concerned, which we were getting on competitive bidding among the railway PSUs from railways, well... we were in any case bidding for last 2 years and getting them on a competitive basis. So, we will continue to do that. As a bottom line as I would say ... I take this very much as an opportunity which can be leveraged to make our top line and bottom line grow further.

Chintan Sheth: Any insight on who will be our competitor in consultancy if private market is opened up for rail tenders? If you can highlight and what is our cost competitiveness to safeguard our margins in future?

Rahul Mithal: We have three broad areas of working or in terms of peer groups let me call it, one is consultancy, one is inspection and turnkey besides Expotech for abroad. I would consider all the key players in private in each of these sectors as my peer group and the best in class as my healthy competitors. Whether it is the best-in-class consultancy firms or consultancy agencies, or the engineering consultancy firms or engineering consultancy PSUs or inspection firms, whether globally or domestic, I would consider them all my healthy competitors and I want to assure you that we are already working on it. We have been working on it earlier but more so in the last 15-20 days after issue of these guidelines, to be able to identify the opportunities which come up and how best we can make our bids competitive with all these peer groups.

Moderator: The next question is from the line of Shreyansh Mehta from Equirus Securities.

Shreyansh Mehta: My question pertains to exports. So basically, good to see that exports are back on track. So, of the balance Rs. 900 odd crore, how do you see that panning out over next three to four quarters and subsequent question is when do you see new orders coming back as far as the export segment is concerned?

Rahul Mithal: So yes, you've touched a very important subject and an important element of our top and bottom line. Yes, exports have started picking up. We have done about Rs.340 odd crore till now and the production is on track. I have reviewed it across our sourcing manufacturers. I would foresee that out of the total odd thousand crore, we would, in this FY, aim to reach about Rs.700-750 crore plus and then with the

balance. If this trend continues and I'm sure it'll continue with our manufacturers and sourcing suppliers on board that we should be able to take this somewhere till the middle of next year. The second part of your question that yes, we are working very hard to get some new orders right away in the next 2 to 3 months so that the pipeline doesn't dry up and we maintain this for the coming FY also. For that, we have seen opportunities across countries, whether it is in our neighboring countries or whether it is in Africa or other Southeast Asian countries where they are asking for the rolling stock to be customized for their gauge, whether it is a cape gauge or standard gauge and whether it is locomotives or coaches or DMUs. We are working on that and I'm sure that we will be able to keep the pipeline uninterrupted.

Shreyansh Mehta: So just a small clarification, when you say Rs.750 odd crore, that's of the balance 1000 odd crore which is left, right?

Rahul Mithal: I would say a cumulative of about reaching about Rs.750 odd crore in this FY and then the balance would spill over to somewhere in the middle of next FY. That as I said presuming, we don't have a setback in the next one month or so. I'm hopeful that the way things are, I hope that no restrictions come up, if the trend seems to be good for overall ecosystem. So, with that I think we should be able to definitely aim for Rs.750 crore cumulative plus in this year.

Moderator: We take the next question from the line of Rohan Samant from Multi-Act.

Rohan Samant: So, connected to the earlier question, the quality assurance business that we have, will that also be opened up for competitive bidding going forward?

Rahul Mithal: Yes Rohan, the quality assurance business was already opened up in various areas in terms of state governments and other sectors. But yes, certain large part of it we were getting from railways also. But I think as I mentioned in my opening reply that in any case for quality assurance also, we have been giving a very good competitive offer. I don't think there should be a problem. With our experience and bench strength that we have across sectors for inspection whether it is product, services or civil engineering structures or whether it is rolling stock, I'm sure that our expertise also has an edge, so I don't see a problem even if sectors gradually opens up more and more to competitive bidding.

Rohan Samant: So, I'm not very clear. When you say we will kind of have to look at it, is it open or is it not open like the rolling stock quality assurance that we are doing for railways, will that be opened up for private sector competition or no?

Rahul Mithal: Why I'm saying is, we have to look at it, because it is for the client. It is for the Indian railways to see how it pans out the execution of these guidelines whether initially it is only for turnkey or it extends further to the QA inspection because till now the guideline, if you must have read, was with reference to the guideline of the 2019 guideline which was in any case referring to competitive bidding between the PSUs which was for primarily turnkey projects. Whether that intent of this new guidelines gets extended to inspection of rolling stock of railways also that as I said time will tell.

Rohan Samant: Just if you could give the quality assurance number for Q2, that was my last question.

Rahul Mithal: The total consultancy including the QA, the Q2 we had revenue of domestic was Rs.223 crore, abroad was at Rs.27 crore, so Rs.250 crore

was the total revenue on this segment. The profit was Rs.109 crore. It had a margin of about 43%.

Rohan Samant: Just if you could quantify the quality assurance number if possible.

Rahul Mithal: You can send a mail; we'll have a look at that because normally we count consultancy which includes various kinds of consultancy including QA. If you want those further details, you can send a mail to my investor cell, you can send it there.

Moderator: The next question is from the line of Keshav Garg from CCIPL.

Keshav Garg: Two quarters back we were told in the conference call that this year FY22 exports will be 1300 crore, last quarter we were told that it will be Rs.900 to 1000 crore. Now you are saying it will be Rs.750 cores. I think that as we go forward it doesn't reduce to below Rs.500 crore. Thank you and also wanted to just understand that now the recent order says that in all orders with a letter of award has not been signed will be cancelled. So, what is the quantum of the...?

Rahul Mithal: I'm sorry I am again interrupting you, as we mentioned we'll take one question. I'm taking your question at the export. You can come back on the second question in the queue. As far as your first question on export is concerned, well... the outlook of Rs.1300 or Rs. 1100 which you were mentioning given in the past two conference calls and your estimation that hope that it doesn't fall below 500, I can only comment on what the situation is as of today. It is as of today the cumulative is Rs.340 odd crore. So, I can only assure you that don't worry... It will not fall below Rs.500 crore. We have had a review in the last 15-20 days with all the sourcing manufacturers from where we source the locomotives, coaches and the DMUs for export and the setback which was there in the Q1 because of which lockdowns and restrictions both in terms of manufacturing as well as exporting at the ports those have

now opened up and Q2 as you see that's why vis-à-vis Q1 the export has grown, its Rs.1 crore only in Q1 and Rs.340 odd crore revenue in Q2. That is why the setback was there vis-à-vis the earlier prediction, but I can only assure you that we are on track to getting at least Rs.750 crore plus revenue from export in this FY.

Keshav Garg: Coming to this letter of award cancellation.

Rahul Mithal: Kindly come back on this question in a queue please.

Moderator: The next question is from the line of Ankur Sanwal from an individual investor.

Ankur Sanwal: I would like to know with such a big amount of cash we are having what we are planning to do with that. Just a piece of information regarding 15th of July accident in Adani Port about the loco, was that loco of our company?

Rahul Mithal: I will answer the first question. The first question is regarding cash. So, cash is yes, we have a healthy cash balance but now as you see we have declared the interim dividend which is also quite a healthy interim dividend which you must have seen. Yes, we are doing a cash management. The dividend is in line with the cash balance that we have, and we keep a track on the cash balance and see down the line in Q3-Q4 what the dividend is to be declared.

Moderator: The next question is from the line of Shreyansh Mehta from Equirus Securities.

Shreyansh Mehta: Going forward how do you foresee FY22 panning out given that we'll be clocking around Rs.750 odd crore from exports and next balance will be roughly around the same amount which we might go for the FY22 and assuming the other segments do a normalized business we are

looking at all somewhat flattish in terms of top line. However, in terms of margins, we might be some squeeze, so is that the right way to look at it?

Rahul Mithal: Yes. I'm glad you got it right. What the trend of Q2 is showing and just the next one month will further reconfirm the trend. As I said sometime back that hopefully we don't get any other setbacks or in terms of wave or a restriction and if things touchwood remains the same then with this trend, Q3 should further consolidate on Q2. What we are aiming as is that try and reach the top line and bottom-line figures of '19-20 levels. That is the target which we are aiming for. Yes, with more contribution of exports, the margins may see a little upward trend. We are aiming for that but yes you put it right. The aim is to at least reach the '19-20 level both in top line and bottom line.

Shreyansh Mehta: My question was more pertaining towards the FY23 basically. So how do you foresee FY23 panning out?

Rahul Mithal: I think FY23 would be a little too premature to predict right now. Let's aim for FY21-22, see how Q3-Q4 pans out and also the 2-3 things which were mentioned in the past few questions, both in terms of us getting more export orders, us leveraging on these competitive bidding, both for turnkey projects as well as consultancy and how it opens up in terms of QA and inspection, competitive bidding. We are working on all these fronts. We're looking for partnerships with peer groups to complement and supplement our strengths and resources to be more and more competitive. We are looking at cutting on costs, making the turnover and bottom-line top line per employee reach '19-20 levels even maybe better than that. As you must have seen the thrust for FY23 going forward in the next six months would be to make RITES future ready. That's the end goal. If we are able to consolidate and leverage on our strength, we would definitely see a healthy outlook for FY23. The

bottom line of all our efforts in the next 4-5 months would be to make RITES future ready with the basic principle of not just more of the same but much more of the new. This is going to be the guiding principle of my vision for RITES to take it further forward and to answer your specific question of making a growth in FY23.

Moderator: The next question is from the line of Manish from Fiducia Capital.

Manish: My question is regarding the domestic consultancy business, where the company was talking about the Rs.329-330 then Rs.300 odd crore. Now, the numbers are like Rs.237-225 types and consulting business is such that meaning COVID obviously will have a bearing but then what we are hearing is like work from home and all these things. So, how soon can we hit back the old numbers given the fact that you already have a pretty healthy order book?

Rahul Mithal: Yes, you got it right in your figures but just a slight correction. Even the best figures in FY19-20, if you see the domestic consultancy which included QA was Rs.999 crore or Rs.1000 crore... so, which makes an average of roughly about Rs.250 odd crore. I'm not saying that this is the best we can achieve. I'm sure we can do better. Considering Rs.250 crore, Q2 we have done Rs.223 crore, Q1 was a slight set back with only Rs.184 crore. So, cumulative for this H1 we've reached already Rs.407 crore which is on track for considering that now things are opening up. I see a healthy order book in consultancy, domestic as well as international. So, I think we are on track. I'm quite sure that we will be able to reach a figure of Rs.1000 odd crore in domestic consultancy in this FY and yes for sure, there is a scope to bring it further up. No two questions about that.

Manish: Looking forward to that under your leadership.

Moderator: The next question is from the line of Arafat Saiyad from Reliance Securities.

Arafat Saiyad: My first question is on opportunity in Railway, if we look at the railway CAPEX is significantly happened in the past 2 years, and this will continue. So, I just want to know what's the take on railway CAPEX going in especially metro also and where you fit in that bid?

Rahul Mithal: A very important point. In fact, there are the national infrastructure plan, the national rail plan, and the national monetization plan, all three for which the railways have a major share in the projected plan. In all three we have a very major stake going forward. In fact, for national rail plan the report was made by RITES and now to take it further for its implementation, we are working on that. You've seen the latest national monetization plan which has been announced by the government. We are looking at a lot of opportunities to be a partner with the railways and other stakeholders in monetization of assets. So interesting times ahead and with the ecosystem stabilizing, all these opportunities both in terms of the CAPEX spend by the railways as well as the monetization plan by the railways, we see ourselves very aptly placed to leverage and capitalize on these opportunities.

Moderator: The next question is from the line of Parimal Mithani from Credential Investments.

Parimal Mithani: I just wanted to know, since the circular regarding the competitive bidding, you have a subsidiary called REMC Limited, does it have any bearing on that subsidiary in terms of going ahead or is too premature to say anything about it?

Rahul Mithal: I think it's a little premature because REMCL has a different function. REMCL is procuring power for railways traction and railways use and that it was formed with that purpose. Now it has got a very major role

of working on the renewable energy front. This is becoming a very important area for the government and REMCL is working on various renewable initiatives in partnership with the railway. It's a joint venture between RITES and the Indian Railways. It's a joint effort between RITES and Indian Railways. It's a different area of activity.

Parimal Mithani: If I can just have follow-up on the same question itself ... in terms of circular, since the competitive bidding is gone among the PSUs... if there's any guidelines in terms of how the bidding will happen and what are the parameters, if you are aware of it?

Rahul Mithal: Not to my knowledge till now.

Parimal Mithani: If you can share post the company has _____ so it's better about understanding the business.

Rahul Mithal: Sorry, I didn't get you.

Parimal Mithani: It will be much better once you get the guidelines clear because as far as what we have understood is that L1 bidding is almost gone, and it will be on the performance as well as key technical also.

Rahul Mithal: So, any further clarification which comes, subsequent to this circular, we'll definitely share it with our investor. As of now the circular which has come stands, as of now any further clarifications or any further detailed modalities of how it pans out ... we'll definitely share it with our investors.

Moderator: The next question is from the line of Venkatesh from LogicTree Capital.

Venkatesh: My question is on the current order book and the future. If we get back to the FY20 levels this year and our current order book is Rs.6400 crore, what is the execution timeframe for this by which these orders will get completed? If we have to maintain the current run rate, are we

confident of adding another Rs.2500 or Rs.3000 crore orders for FY '23 or FY'24?

Rahul Mithal:

Yes. So, presuming and hoping and that we are aiming for to come back to the FY20 levels with an order book of about Rs.6400 crore, makes it about to roughly a2.5 years in the pipeline. But yes, we have to aim for, as I mentioned about two questions back, that FY23 has to be consolidating and building up on this FY20 levels of top line and bottom line. Obviously this Rs.6400 crore, which is as the current levels of FY20 is 2.5 years, but I would like to suppress it too much lesser timeframe. That would only be possible by getting some more orders and that in terms of 2-3 areas where we definitely need to get more orders and we're working on it. One is exports which we are aiming to get some more orders in the next few months, so that the pipeline doesn't dry up as well as getting more orders both in the consultancy wing as well as turnkey with a balance between the two to get a balance between the top line and bottom line. So yes, the current order book to put in a nutshell aims for about roughly 2-2.5 years but then aiming for a bigger growth in FY23 and aiming therefore to get some more orders in the next 6 to 8 months.

Venkatesh:

Just to follow up on the order book. So, you talked about the national rail pipeline prepared by RITES and there is Rs.11 lakh crore CAPEX plan. So, RITES also has the—as I understand—the ability to book beyond railways, service even airports and other infrastructure projects. The size of the opportunity is huge. What would be the kind of vision that you may have for the next 3 to 5 years for this company in terms of top line. In the previous interactions with the RITES Management. It's fair to expect growth in upwards of 20%-24% over a period of time. Since you've joined in new, is there a vision that you think you can give us, a 3- or 5-year type.

Rahul Mithal:

Very interestingly in a month that I have joined, I have realized that, and you said that RITES is basically doing railways and it has the ability to do airports and ports. In fact, that I would slightly like to correct that, and this is what I've realized more so in the last 1 month. In last 47 years of existence there is no activity or maybe no city or state in India or a number of countries about 55 odd countries internationally where RITES is not operated upon. Whether you talk of ports, highways, airports, waterways, building, bridges, metros, we recently did the Mauritius Metro, smart cities. The bench strength here is tremendous and railway business, yes, it is a very important part but that's only part of the activity, we have been doing and I want to leverage it further. With that bench strength available and the diverse skills available I would be looking forward for one key point which I mentioned sometime back and i.e., to make RITES future ready and not just more of the same but much more of the new. By that, what I mean is that looking at and capitalizing and leveraging on all possible domestic and international opportunities, complementing the strength which I have in-house with partnerships with the best in class across sectors, whether it is consultancies, EPCs, engineering consultancies or inspection firms. With that I see the appreciable growth happening in the next 3 to 5 years. I wouldn't want to restrict myself right now to giving some numbers. I can only say that the scope is enormous and gradually over a period of time I would like to zero it down to more numbers, year wise as the growth for next 3 to 5 years but I see appreciable growth for RITES in the next coming 3 to 5 years.

Venkatesh:

Great. We love your confidence and optimism and perhaps a humble suggestion is instead of RITES we should rename the company as ITES, so that we don't restrict ourselves to railway.

Rahul Mithal: In fact, that's a very good suggestion. In fact, if people who've been following RITES for many years, they would know that this used to be called Rail India Technical and Economic Services when this company was formed in 1974 but I think many years back it has got rechristened as RITES. So, RITES is the brand name now and Railways is a very important part as I said but we don't call ourselves Rail India Technical and Economic Services, we call ourselves RITES.

Moderator: The next question is from the line of Nitin Goel from Mirabilis Investment.

Nitin Goel: I think previous participant also discussed on this, so the consultancy order book that we are getting.... so last quarter you had mentioned some 6-7 metro projects that were out for a bid, and we had bid for all of those. So, any update on that, that is one. Then a follow up on that again like apart from this the railway portion how has been the ordering in on the roadway side, airports, and ports side?

Rahul Mithal: In terms of metros and roadways both, metros we have been working on 2-3 places. I think we are doing an Ahmedabad, Nagpur & Pune we are all doing that. In metros lot of opportunities are coming up also further in other states in India. And also, internationally are doing-Mauritius, we hoping to get some more work there. Metro is an area where orders are fructifying. We are also participating in bidding for upcoming metros in many states. As far as the turnkey orders coming from railways yes, they are coming. They have been already fructifying and getting translated into work across the zonal railways. Both in terms of the turnkey and highways and metros, orders have matured, and we also have some orders which will further get finalized in the Q3. The order book is likely to expand at the end of Q3-Q4.

Nitin Goel: But, despite all of this we are in the projecting range for consultancy still in the Rs.1000 crore range, so how do we see this going ahead, is there any number that you would like to give around it.

Rahul Mithal: As I mentioned sometime back, consultancy Rs.1000 crore was the best domestic consultancy FY 19-20. So, as I said, we would aim to reach that figure in FY21-22 and taking forward, definitely FY23 would like to grow on that.

Moderator The next question is from the line of Uttam Kumar Srimal from Axis Securities.

Uttam Kumar Srimal: My question pertains to turnkey. During the H1, we have done revenue of Rs.205 crore and currently we have order book of around Rs.2764 cores, so what kind of revenue we are looking at H2FY22 and FY23 and the margin for the business?

Rahul Mithal: Turnkey as you see both Q1-Q2 combined as you correctly said about Rs.205 crore has been slightly suppressed vis-à-vis the FY20-21 figures as well as the FY19-20 figures. That's primarily because most of the turnkey works, the phase one of that the revenue realization had happened in FY20-21. The work has started all across the recently secured projects and the revenue realization in turnkey will start coming in by end of Q3 and stabilizing by Q4. I see the turnkey revenue to start stabilizing by Q4 and we have a healthy order book of about Rs.2700 odd crore in turnkey which should now only grow every quarter wise because as these works progress and revenue starts getting realized, the revenue realization in turnkey will improve on a quarter-to-quarter basis. As far as margins are concerned, margins have again in turnkey been slightly low because since the revenue realization has been low and certain fixed costs keep getting incurred in turnkey... so, it obviously impacts the margins. It has come down to

about 1.8 odd %but normally we aim for margins in the range of 2% to 3% in turnkey and going forward as the revenue realization improves, definitely these margins will look up. Both in terms of top line and bottom line in turnkey, I see a quarter-to-quarter improvement going forward.

Uttam Kumar Simal: We do see turnkey revenue getting to Rs.600-700 crore this year what we had done in FY20 and FY21?

Rahul Mithal: We are aiming for that. Yes, we are already about Rs.205 crore. It will pick up in the latter part of Q3 and stabilize in Q4. While we would be aiming for that but yes it will be a tough call reaching Rs.600 crore but let's see how Q3 pans out. As I said if next one month, we don't have a setback then we should be able to try and get more turnkey revenue.

Uttam Kumar Simal: For the CAPEX for resale in H2?

Rahul Mithal: Thank You. The next questions please.

Moderator: The next question is from the line of Vishal Periwal from IDBI Capital.

Vishal Periwal: A couple of weeks back there was media reports that Braithwaite has to be taken over by RITES. If you can give a little color in terms of what are the synergy benefit, I mean that will be there for RITES in terms of what exactly Braithwaite is doing? Second where exactly we are in the whole process, any due diligence started or any color that you can provide that will be helpful?

Rahul Mithal: Vishal I would not like to comment on media reports. Only when we get some official communication regarding this issue, we'll share it with you. I hope you got that.

Moderator: We will take the next question from the line of Parimal Mithani from Credential Investments.

Parimal Mithani: What I recall from your previous con-call, now you mentioned turnkey was taken because you had the bench strength of doing turnkey projects. With this competitive bidding going on how do you see that business in terms of the rail side of the government?

Rahul Mithal: So, as I mentioned, I take this circular and these guidelines issued as an opportunity because even after the 2019 circular, the turnkey projects of railways, we were getting on a bidding basis. It was not on a nomination basis. We were getting it on a bidding basis among the railway PSU. Now, only thing is that if it opens up further and with our costing and we just need to be more alert on this and I'm sure we'd be able to get more turnkey projects because besides railways, we've also been getting turnkey projects from government and other PSUs. I'm sure that we will continue to do that. So, turnkey, I don't see as I said as a setback. I see it as an opportunity because of us being competitive. I take this as an opportunity to take the turnkey segment further.

Moderator: The next question is from the line of Lokesh Manik from Vallum Advisors.

Lokesh Manik: My question is mainly regarding the consultancy order book. What I have been observing that since the past 13 quarters, we've been averaging a new order addition of about Rs.250 crore, plus minus Rs.50 crore. So, what is holding back the growth in this area of the business?

Rahul Mithal: So, I won't say anything is holding back per se. The consultancy was primarily in Q1, there was lesser orders received because there was a general slowdown but Q2 orders have been coming up in consultancy whether it is the QA element of consultancy or whether the other consultancy and I foresee that the orders and the opportunities which I have reviewed in the last one month after joining regarding the opportunities available in consultancy, both in domestic and

internationally, I foresee more orders coming up for sure. Yes, there has been the trend which you are saying but I think we're looking to make this grow further, especially after about the Q3-Q4 as things open up and even internationally, we are now seeing a lot of opportunities opening up as travel has opened up. We are getting feelers and leads for international consultancy in the number of countries which I think our teams have now started traveling also and interacting in the last 15-20 days. We foresee that to open up and stabilize by Q4 internationally also.

Lokesh Manik: I do appreciate the impact faced on the business due to COVID since the last year, but the trend was coming down pre-COVID, so that was my one concern. Secondly, for these incremental opportunities that you are seeing. Are you foreseeing any competitive pressure for these projects in consultancy that you plan to acquire?

Rahul Mithal: Not at all. In fact, I as I mentioned that I would look at tapping all opportunities with the bench strength that I have across sectors. As I mentioned some time back, any sector which you can think of whether it is environment or ESG or renewable energy or smart cities, we have tremendous bench strength here and whichever element of this resource which we do not have, I'll be complementing that with partnerships across the sectors with the best in class in that group. We would build partnership for a number of upcoming consultancy opportunities.

Moderator: The next question is from the line of Jainam Shah from Equirus Securities.

Jainam Shah: My question pertains to the CAPEX. So, we have planned around some locomotive CAPEX, some office building CAPEX and some for the

REMCL and for ISRDC, what exactly our CAPEX amount we are envisaging for FY22 and for balance 2 years, FY23 and FY24?

Rahul Mithal: So, our CAPEX target for this year is Rs.100 crore. We've done about Rs.69 crore in the last 6 months and I think we are on track. We are quite sure that we'll be able to reach that. We have plans in pipeline to reach Rs.100 crore. We've been doing CAPEX, if you see the last year also was Rs.80 crore and the FY19-20 was also about Rs.66 crore. CAPEX has been in the range of about Rs.80 to Rs.100 crore and for FY23, while we are still at the drawing board to draw out plans for that. But we would remain in that, I think it's a little early, but we would work out more details and maybe by end of Q3 we would be able to draft out the predictions more finitely for CAPEX for FY23.

Jainam Shah: As you said earlier there has been some CAPEX of office building.

Moderator: Participants we've lost the line for the current participant. We take the next question from the line of Venkatesh from LogicTree Capital.

Venkatesh: Just a question on your key strengths and people skills, broadly in the world that we are living in terms of infrastructure there's a lot of technology at play. There are probably apps to deal with how infrastructure projects are getting executed etc. Where is RITES on this technology value chain? Do we have the kind of strengths that are important to execute, plan, design projects of critical importance and do you spend money on R&D software etc.?

Rahul Mithal: Subject which you touched is very close to my heart. In fact, as I mentioned my vision is future ready. What I see is that RITES has a good IT base. It has a lot of applications in-house; it has also been working in partnership and doing IT work for other PSUs. But, I have a very big soft corner for IT area, IT related works and using it for applications not only for in-house efficiency but also taking on IT works in a big way in

partnership with other IT companies, the best in class, in the group of IT companies. I see the opportunities I want to capitalize and leverage on opportunities in the IT sector, both for improved in-house efficiency whether it is in terms of project monitoring, whether it is in terms of employee productivity and also partnering with the best in class to take on IT consultancy projects, IT turnkey projects. This is one area which is definitely going to see work in the coming months and the coming years by RITES.

Venkatesh: I think IT consulting for infrastructure is what you put it in the right words, and you would be open to recruiting or adding team members from the market because IT guys obviously are expensive in India and, but RITES will go for talent from the market if required.

Rahul Mithal: I am open for any resource which translates into a bottom line. That resource whether it comes from employing full-time, employing on a project base, employing on a contract, or partnering with someone on a specific case or a specific project or a specific area of activity, each of these options will be explored and depending on what it gives me in the bottom line would be executed on a case-to-case basis.

Venkatesh: Great sir, will follow up with you otherwise on IT consulting. It's also very dear to my heart.

Moderator: The next question is from the line of Rohan Samant from MultiAct.

Rohan Samant: So, with respect to the IRSDC JV, there was this news regarding ...there is a possibility of a government shutting that JV down. So, we have around Rs.48 crore investment in that JV. So, what happens to that investment?

Rahul Mithal: It's not just a possibility, the instructions have already come in writing for closure of IRSDC and we have 24% share in that. The modalities have

already been started. The three promoters of IRSDC that is RLDA, IRCON and RITES, we've had meetings of the board of IRSDC. So going forward it will be based on the evaluation and as the three promoters decide in the subsequent board meeting how to and what will be the impact and the valuation of the assets and liabilities. The picture will become clearer in the coming months, and we will definitely share it with our investors.

Moderator: The next question is from the line of Keshav Garg from CCIPL.

Keshav Garg: In FY19, we did a Rs. 1074 crore consultancy income domestic and this year we are expecting it to be Rs.1000 crore and our export order book is flat for 5 years and our cash balance is constantly declining, and our other income is also collapsing. All this was when there was no private competition. We could not even keep abreast with inflation. Now with private sector competition coming in, things look really dark. What do you have to say about that?

Rahul Mithal: Well, that's your perception. I can only say that if you have been hearing my specific comments on each of these areas, I would only request that it was a sweeping comment, and I would not like to subscribe to that. The figures and the performance of quarter-by-quarter except for the last year, where there has been an overall setback, have been encouraging and I can only assure you that we are looking to leverage on each of the four segments and the results of coming quarters may assure you, that things are in inverted commas "dark" to use your words as you paint that out to be. Maybe the last question after this.

Moderator: Ladies and gentlemen we take the last question from the line of Chintan Sheth from Sameeksha Capital.

Chintan Sheth: One question on the Rs.4000 crore new line projects which we secured in Q2 is not part of our order book as mentioned in the presentation. Is this kind of go back to bidding or something, because of the new order come or its part of our order book and gets reflected in Q3 once finalization happens?

Rahul Mithal: Chintan, this Rs.4000 crore is work in progress in the sense that the Rs.6400 crore order book which we have mentioned, this does not include this Rs.4000 crore which came in recently in the last few months and finalizing all the modalities of this, especially more so with this circular also coming. So, we are working on it and as soon as it concretizes which it should normally, I don't foresee any problem, we will add this to the order book. But in terms of all the papers and agreements and the work getting signed and things like that, only then we would add it to the order book.

Moderator: Thank you. Ladies and gentlemen as there are no further questions, I would now like to hand the conference over to the management for closing comments.

Rahul Mithal: Thank you all for very interesting questions and touching all the areas of activity which we do and which we plan to do and as I mentioned that the Q2 has been encouraging, the last one month of Q3 also has been showing a positive trend and with this trend I am sure that we will continue to grow and capitalize on this growth trend which we are seeing and to again reiterate, my vision for RITES in the coming years, I see that I capitalize and use my in-house bench strength, partner with the best in class to complement my bench strength wherever I feel that there is a gap and to make RITES future ready with the cutting edge that it is required in today's time and the bottom line which will guide every decision, every activity, every decision, every strategic move of

ours would be the bottom line that would be, “not just more of the same but much more of the new”. Thank you.

Moderator: Thank you. Ladies and gentlemen, we thank you all for being a part of the conference call. If you need any further information or a clarification, please mail at animesh.lodiya@rites.com. Ladies and gentlemen, this concludes your conference call for today. Thank you for using Chorus Call conferencing services. You may now disconnect your lines. Thank you and have a pleasant day.

-End-

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