



“RITES Limited  
Q4 FY2022 & FY2022 Earnings Conference Call”

**May 25, 2022**



**MANAGEMENT:**      **SHRI RAHUL MITHAL - CHAIRMAN AND MANAGING DIRECTOR**  
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**Moderator:** Ladies and gentlemen, good day and welcome to RITES Limited Q4 FY2022 and FY2022 Earnings Conference Call hosted by Elara Securities India Private Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harshit Kapadia from Elara Securities India Private Limited. Thank you and over to you, Sir!

**Harshit Kapadia:** Thank you Vivian. A very good morning to everyone. On behalf of Elara Securities, we welcome you all for Q4 FY2022 earnings conference call of RITES Limited. I take this opportunity to welcome the management of RITES Limited represented by Shri Rahul Mithal, Chairman and Managing Director, Shri Gopi Sureshkumar Varadarajan, Director Projects, Shri Anil Vij, Director Technical, Shri Bibhu Prasad Nayak, Director Finance. We will begin the call with a brief overview by the management after which the Q&A session will start. I will now hand over the call to Rahul Sir for his opening remarks. Over to you, Sir!

**Rahul Mithal:** Good morning everybody. A bright morning and very interesting and very exciting results for us.

Let me begin with a safe harbor statement. The presentation which we have uploaded on our website yesterday and all discussions during the call today may have some forward-looking statements. These statements are considering the environment, we see as of today and obviously carry a risk in terms of uncertainty because of which the actual results could be different and we do not undertake to update those statements periodically.

Having gone through that, let me give you a brief overview of the key features of our results, which you must have seen. We had committed and we had aimed for coming back to our pre-COVID levels of 2019-2020 and we are quite pleased that we have been able to reach an operating revenue i.e. all time high of Rs.2575 crore which is about 40% growth since last year and about 7% growth since the pre-COVID levels, both in terms of the topline and the core EBITDA.

Another interesting thing is that we have reached an all time high of exports of both in goods and services. The export of rolling stock is in the range of about Rs.960 odd crore an all-time record. Our international consultancy is about Rs.110 crore. This is a very encouraging sign for us.

Another very interesting thing is that we have been getting a lot of orders across the spectrum of our core areas of operation whether it is the metros, whether it is the highways or whether it is the railway infra both in domestic as well as in the international sectors. We recently got an order from Ghana of about Rs.100 odd crore for the railway system. In Guyana, for the highway system of Rs.25 crore, in the metro system for Bahrain of about Rs.1.5 crore, and in Bengaluru metro of about Rs.20 crore, so the company is growing and is consolidating on its basic mantra of multisectoral consultancy. So, with those opening comments, I would leave the floor open for questions.

**Moderator:** Thank you Sir. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Sreyansh Mehta from Equirus Securities. Kindly proceed.

**Sreyansh Mehta:** Thanks for the opportunity. Congratulations on a great set of numbers, so if you could help me out with the breakup of the current order book?

**Rahul Mithal:** We have an order book of about Rs.5000 crore. Rs.2200 crore are on turnkey project, about Rs.2000 crore are on consultancy which includes the inspection, we have balance of about Rs.450 crore for the export, the two orders which are currently going on, Sri Lanka and Mozambique and we have a leasing order of about Rs.128 crore.

**Sreyansh Mehta:** Rs.128 crore?

**Rahul Mithal:** Yes.

**Sreyansh Mehta:** Sir my second question pertains to our outlook for FY2023 given that now we just have Rs.450 odd crore of order book how do you foresee FY2023 panning out?

**Rahul Mithal:** In terms of the topline while we will definitely aim for consolidating on the operating revenue, which we got for 2021-2022, yes but there is a challenge in terms of the current order of exports which is around Rs.350 odd crore to Rs.400 crore will finish by Q2 so we will make it up with the turnkey revenue. We are pursuing for fresh export orders but by the time they mature and the revenue starts coming in, it may be by the end of the year so the aim to reach and definitely improve on the topline which we got for the last year; however, because of the mix being changed from the export vis-à-vis more of the topline coming from turnkey, it will definitely have little impact on the margins because turnkey as you know are lesser margins compared to export.

- Sreyansh Mehta:** Correct so if you could throw some highlight how much will turnkey contribute in terms of the revenue in FY2023 because still we have not seen much in terms of execution out here? It is in the range of Rs.2000 odd crore?
- Rahul Mithal:** The revenue for turnkey for 2021-2022 was about Rs.450 crore and as I have said the Rs.2200 crore balance of turnkey, I foresee a large chunk of at least about Rs.900 crore to Rs.1000 crore minimum coming from this as we move forward. Let us see how each quarter goes but the point is that Rs.2575 crore we will definitely try to better and we will try to make up from the turnkey side for the topline for the gap in the exports for a few quarters.
- Moderator:** Thank you very much. The next question is from the line of Arafat Sayeed from Reliance Securities. Kindly proceed.
- Arafat Sayeed:** Thanks for taking my question. Sir the first question is on your export order in Sri Lanka, I just want to get a bit on that? What is happening over there? You received your money on time or any update on that?
- Rahul Mithal:** Sri Lanka exports, we have completed recently, the last consignment also has been dispatched and we are in touch with the authorities there. I do not foresee any problem in getting our revenue. It may be delayed by a few months here and there but in this financial year I think we should be able to get all our revenue.
- Arafat Sayeed:** Sir any receivables pending from there?
- Rahul Mithal:** Yes obviously the last consignment which has gone recently that we will get over a period of time but we will definitely get it.
- Arafat Sayeed:** Fine Sir. I will get in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Sanjay Doshi from Nippon India Mutual Fund. Kindly proceed.
- Sanjay Doshi:** Good morning Sir and team at RITES and congratulations on a good FY2022 where we over achieved our targets of pre-COVID levels. Sir, I just wanted your thoughts on how one should look at this company from a medium-term perspective and not focus a lot on quarter or a year because the kind of opportunity one can see, consultancy especially overseas as well as exports. So if you look at from a 4-5 year perspective, do you think the company should be able to target double-digit growth with a stable margin profile?

**Rahul Mithal:** I am glad, it is a very interesting question and you have got it right because we have got such a mix of revenue streams and each having a wide range in the margins that to focus on a particular quarter, does not really give the full picture so it's better to see on an annual basis or a two year or a three year or a five year perspective. Yes, now with the consultancy revenue also coming back to pre-COVID levels around Rs.700 crore (excluding QA) and international consultancy we have touched about Rs.110 crore this year, and we are getting a lot of leads, we have bid for a number of international consultancy projects, I see, we consolidating our place in the consultancy ecosphere both in the domestic and the international space across the key sectors of metro, highway, railways, and of course we are getting a lot of new opportunities in the green sector, the ESG sector. We have got a lot of expertise in that. We have been doing lot of work. We have started a new sustainability vertical a few months back, to focus and collate all our resources to target this particular area and this is again going to be another area which is going to add in a big way in a consultancy top and bottomline both domestic and international.

**Sanjay Doshi:** Sir with your permission just a followup on the comment that you made? While our overseas consultancy is only Rs.100 crore while domestic is around Rs.700 crore and growing where do you see overseas consultancy maturing for a company like RITES given that you have just started international and this is the best margin profile business for us so that is why I am asking that? Thank you.

**Rahul Mithal:** I am glad you asked that because this is going to be a very key focus area. We started foraying into international consultancy in an aggressive way, in the past few months. We have already started seeing results. As I have said a few orders have come in the last few months itself whether it is Bahrain, whether it is Guyana, Ghana, and Nigeria so while some of these projects are low value, because some consultancy about Rs.100 crore, some are Rs.5 crore but I see this jump from about Rs.60 crore to Rs.70 crore in the previous year to Rs.110 crore in one year. Going forward, we are going to see a big jump in this but give it some time because these orders take time to mature. We are aggressively bidding everywhere in a number of countries, but I see it coming and I would not like to speculate on any number, but you can see the jump itself in the last one year and considering that trend you can take it forward.

**Sanjay Doshi:** Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Chintan Sheth from Samiksha Capital. Kindly proceed.

- Chintan Sheth:** Thank you for the opportunity and congrats on a good set of numbers. On consultancy coming back pretty strong that is good news for us and I congratulate the management for that but how do we see this trend continuing for coming years because as you mentioned in the opening remarks the margin will likely to get impacted because of skewing towards turnkey away from exports in FY2023? Will we try to break it up with increasing our contribution from consultancy to kind of offset some of the margin impact in the coming years? What kind of growth we should build in for consultancy?
- Rahul Mithal:** Let me first put in perspective this temporary dip for the mix between turnkey and the contribution from exports is only primarily for few quarters in this FY. It is not for the coming years. It is just stop gap for the time the revenue from exports starts maturing by latter part of this FY or early next FY. However we are very conscious, as I have been mentioning in my previous interactions also that we are primarily a consultancy organization and for us, whether it is the core EBITDA margin or the bottomline margins these are sacrosanct and we will be very particular about those and we will try and maintain them. Whatever are the offset impact because of the turnkey on the margins, we will definitely try make it up from the consultancy margins. However, consultancy business domestically has become very competitive so there are pressure on margins and that is why international consultancy, which gives us even better margin, is going to be a very major focus area so mix of all this will help us ensure that the key parameters i.e. bottomline and our core EBITDA margins remain safe.
- Chintan Sheth:** What kind of growth we can expect carry from 10% to 12% growth which we were doing earlier pre-COVID that one can expect at least?
- Rahul Mithal:** Yes, as I said, the topline of Rs.2575 crore, we will definitely aim to better it. We will definitely target all, whether it is the topline, bottomline, the core EBITDA margins and the PAT margins, maintaining all is our targets. It is early days only. It has been one to one and a half months, but definitely, this FY we are aiming to better our FY21-22 performance.
- Chintan Sheth:** Sure, I will join back in the queue. Thank you for the response. Thank you.
- Moderator:** Thank you. The next question is from the line of Dixit Doshi from Whitestone Finance. Kindly proceed.
- Dixit Doshi:** Thanks for the opportunity. A couple of questions; firstly you mentioned that the latest what we have executed for Sri Lanka the payments are pending so how much would be the absolute amount?

- Rahul Mithal:** The last set of coaches has gone in Q4 and roughly about Rs.100 crore is balance from Sri Lanka which will come. I do not foresee any problem because there is a process of commissioning those coaches as part of the contractual agreement so by the time these coaches get off loaded and commissioned, there seems to be no roadblock in getting these payments. We have done enough headway at the appropriate levels and we have got assurances that these payments will come because these have been physically delivered there and that is why there seems to be no problem. The problem would have been if the delivery would have got stuck up, but now since they have all reached, all orders are completed, so payment is not going to get held up.
- Dixit Doshi:** But how much is the receivable?
- Rahul Mithal:** I said about Rs.100 odd crore.
- Dixit Doshi:** Only Rs.100 crore?
- Rahul Mithal:** Yes, that is it, it's the last lot which has recently gone.
- Dixit Doshi:** Okay and now my second question is regarding the export orders so we are trying with different countries so whenever we will get orders how much time it will take to start execution because it has a lead time?
- Rahul Mithal:** Yes, your assessment is correct, so rolling stock are of four types. We are exporting all kinds of four types of rolling stock whether it is locomotives or coaches or DMU coaches or wagons. Now, all have a different lead time. Locomotives would have the longest. The normal coaches and the wagons would have the shortest. The DMU coaches, since they have a powered arrangement, they have a midway lead time, so anything varying from six months to about nine months or maximum a year because certain locomotives, if they are cape gauge country like Mozambique, they require little more developmental time because the vendors are lesser, so varying from the kind of product. But we are hopeful that we should be able to start realizing some revenue from new orders by may be Q4 or early Q1.
- Dixit Doshi:** Okay so you are expecting some orders in next couple of quarters?
- Rahul Mithal:** Definitely.
- Dixit Doshi:** Okay and just roughly at the large order so the kind of Sri Lanka we had or they might be small orders?

- Rahul Mithal:** I would not like to speculate right now. We are following number of leads. As soon as any of them matures, we will be informing the exchanges.
- Dixit Doshi:** Okay fine. That is it from my side. Thanks.
- Moderator:** Thank you. The next question is from the line of Gaurav Jagerdar an Individual Investor. Kindly proceed.
- Gaurav Jagerdar:** Thank you for taking up my question Sir. Sir I would like to have your view on our international export orders? How do you see going forward? How much growth can we expect from this segment? Thank you.
- Rahul Mithal:** Our forays in the last few months after the world travel and economy started opening up again have shown lot of encouraging signs across continents. The interesting thing is we are getting leads not only from the erstwhile customers of African nations and South East Asian countries. We are getting a lot of leads from Latin American countries, Central Asian Central, and European countries also. We are targeting export of not only railway rolling stock, we are also targeting export of, we have tied up for, metros. So we are getting some interesting leads about metro rolling stock. We are also exploring these various avenues to try and pilot the export of our Vande Bharat because lot of countries have shown interest in that so across the sectors, we are getting interesting leads of export and I see a growth. As I said, to speculate on any number unless it fructifies into an order would not be correct, but by latter part of this financial year, you would certainly see some orders coming up.
- Gaurav Jagerdar:** Great and just a follow up on this Sir and since you mentioned the ESG segment in the overseas market what is your view on it? Like how do you see it panning out?
- Rahul Mithal:** I think for the second question you can come back in the queue to be fair to other participants because it is not a related question.
- Gaurav Jagerdar:** Thank you. No worries.
- Moderator:** Thank you. The next question is from the line of Chintan Sheth from Samiksha Capital. Kindly proceed.
- Chintan Sheth:** Thanks for the follow up. Some bookkeeping questions on other expenses, the other opex if I look at has kind of increased, bumped up for past couple of quarters Rs.55 crore in Q3 and Rs.47 crore this quarter any one off or higher provisioning which we did in this if you can throw some light on that?



- Rahul Mithal:** A few of the expenses have gone up because, one is, employee expenses went up because the DA was opened up and as we made much higher profits and so our bonus are higher, higher leave encashment because of normal year coming up or restrictions have opened up, so FY2021-22 the employee expenses have gone up and then in terms of other expenses, certain provision we made for a damaged locomotive which was about Rs.13 crore then there were also expenses in terms of some depreciation expenses those have gone up because of the certain locomotives, which we have on lease they have reached their age of the rehab, so these are certain broad big chunk expenses which have gone up in our expenses.
- Chintan Sheth:** Rs.13 crore provision came this quarter or put together in last quarter?
- Rahul Mithal:** No I am talking of the overall.
- Chintan Sheth:** Overall for the year?
- Rahul Mithal:** Yes.
- Chintan Sheth:** I will join in the queue. Thank you.
- Moderator:** Thank you. We have the next question from the line of Shikha Doshi from Axis Securities. Kindly proceed.
- Shikha Doshi:** Thank you for the opportunity. My question is could you give a guidance for your capex target for the coming quarter or FY2023-FY2024?
- Rahul Mithal:** Capex we have done about Rs.140 crore FY2021-22 and we would remain in that range. We are targeting somewhere about Rs.150 crore to Rs.200 crore not more than that. Primarily, as I keep reiterating, we are not a very capex heavy organization. Our focus is on limiting capex to only key areas and that also this is slightly higher this year because we are planning to set up some major labs for centralized inspection, some equipment for new age inspections and lab analysis. We are also planning to invest some in IT upgradation, so in terms of capital it is roughly going to be in the range of about Rs.150 crore to Rs.200 crore.
- Shikha Doshi:** Okay got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Anurag Patil from Roha AMC. Kindly proceed.

- Anurag Patil:** Thank you for the opportunity. Sir if you can elaborate on the capex of solar side and the leasing segment that would be helpful?
- Rahul Mithal:** We are not planning any capex on the solar area. I have been clarifying that for the past few quarters and the second part, what it says capex on.
- Anurag Patil:** Leasing?
- Rahul Mithal:** Leasing we already have about 65 locomotives. I do not foresee any major capex investment in the leasing area. We have got a good fleet and we are going to handle the existing business as well as the growth with rationalized use of these locomotives.
- Anurag Patil:** Okay Sir. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Parimal Mithani from Prudential Investments. Kindly proceed.
- Parimal Mithani:** Thanks for the opportunity and congratulations for a wonderful set of numbers and for a good dividend as well. I just wanted to know in terms of consultancy business how do you see forward going from here and in terms of the national rail plan, which you talked about. what is the opportunity size for us if you can delve there?
- Rahul Mithal:** Opportunity sorry last question.
- Parimal Mithani:** The national rail plan?
- Rahul Mithal:** The national rail plan?
- Parimal Mithani:** Yes.
- Rahul Mithal:** The first point in terms of consultancy, as I mentioned earlier, the consultancy both in domestic and international area, once having reached the pre-COVID levels, I see a growth going into a number of areas, especially in metro we are getting lot of good orders, both domestic and international. We are also getting a lot of good orders in consultancy in the highway area. Airports, we are getting lot of orders and we are aggressively now growing and pitching for growth and consultancy in the sustainability area. So whether it is the smart city planning or city plans and mobility plan, we are in the sustainability vertical that we have started. We have got as a MSI, master system integrator, where we are merging the mobility plan, the sustainability as well as the IT, all of them we are merging together and giving a solution to clients and that has been taken very positively. So I see a lot of growth

for us in that area with our expertise. As I mentioned earlier, lot of growth aggressively being targeted for international consultancy which has already seen a number of orders coming in the last few months.

**Parimal Mithani:** Sir National Rail Plan?

**Rahul Mithal:** So, in the National Rail plan, there are a number of areas which are planned whether it is port connectivity, steel plants connectivity, coal connectivity all these areas are being targeted by us. We already have a number of both consultancy PMC, DPR, as well as turnkey projects in coal connectivity areas, in steel plants, consultancy projects, in ports, and airports. So with the NRP having so much of allocation and being pushed, we are going to capitalize further on that including things like the Jal Jeevan plan and we are also getting a lot of leads in the Jal Jeevan area also.

**Anurag Patil:** Thank you.

**Moderator:** Thank you. The next question is from the line of Sanjay Doshi from Nippon India Mutual Fund. Kindly proceed.

**Sanjay Doshi:** Thank you for the follow up Sir. I just wanted to get your thoughts on overseas consultancy business? How is our approach in capturing those markets? Are we qualifying on our own credentials or are we partnering with global consultants for these if you can just highlight that part?

**Rahul Mithal:** So, it is a mix and match depending on the client, depending on the country and depending on the sector. We have got a few orders in the last few months, both as standalone as well as in partnership. To give you two recent examples, the Ghana order we got in partnership which was about Rs.100 crore for our portion. That was a railway consultancy project. The Guyana Highway Project which is about Rs.25 crore, which is also in partnership but in number of cases we got it on our own like highway project in Nigeria and the Bahrain metro, we have got it on our own. So we follow an approach, depending on the sector, the client, the requirement, and the country. We are open to partnership. We have been partnering as you must have seen in our declarations to the exchange with the best of the consultancy organizations across the sectors and we will continue to partner with them.

**Sanjay Doshi:** Thank you very much.

**Moderator:** Thank you. The next question is from the line of Viraj Mithani from Jupiter Financial. Kindly proceed.

**Viraj Mithani:** Good morning Sir. My question is on the green consultancy and can you give some color on green consultancy as well as on REMC Ltd that is what my question is?

**Rahul Mithal:** In terms of green consultancy, we have been traditionally doing a number of studies for consultancy projects whether it is the SIA, the EIA, the solid waste management, the water management and things like that so those have been, as I mentioned consolidated under one sustainability vertical rather than standalone consultancy and we have been doing smart city planning, mobility plans, so now we are pitching it as one product depending on the clients requirements. If I do a city plan for you, it is a Green City plan. It incorporates all the elements of green also, rather than having a standalone consultancy. Similarly, in all our DPRs which we are doing even for construction works, whether it is building construction works or is a highway construction work, we are incorporating green. Every DPR now, since we declared a policy of transforming to green, going to have a major thrust on green. All our DPRs are now green. All aspects of green are incorporated in them.

**Viraj Mithani:** What are the growth prospects in that would be Sir, some color on that?

**Rahul Mithal:** The growth prospects are tremendous. You have seen the areas available, the opportunities available, and the government also the COP26 has been pushing in this area. So we will be targeting a disruptive growth in this area. You can see the figures as they come over the coming quarters.

**Viraj Mithani:** And Sir color on REMC Ltd?

**Rahul Mithal:** I think you can come back.

**Moderator:** Thank you. The next question is from the line of Danesh Mistry from Investor First Advisors. Kindly proceed.

**Danesh Mistry:** Thank you and good morning to you. I had the question related to our export sales? So one is that, I remember earlier sometime last year we were exporting a few locos to Sri Lanka and things like that so are those orders through with Sri Lanka or is there any pending and the second is that can you just comment on the export sale margin? Last year, same quarter we had done a little bit of about Rs.30 crore on our topline of Rs.95 crore and this year we have done about a Rs.36 crore EBIT on a Rs.250 crore topline so some sense on that? Is there any difference on the type of ordering, which we have got in the exports in Sri Lanka? Thank you.

**Rahul Mithal:** In terms of Sri Lanka orders, the last lot of coaches and DMU sets has gone. So as of now, all the orders are completed and as I mentioned a little while earlier the commissioning of

these and the payment of about Rs.100-odd crore will come in the next few months. As far as the comparison of margins which you did of last year vis-à-vis this year of particular export, you see export has normally margins in the range of about 20% to 25% odd. So comparing one quarter with another quarter for particular export revenue vis-à-vis the contribution of that may not give a holistic picture because the costs which get booked and the revenue which materializes for that particular product which has got exported may have a time lag of few months. So on an overall basis, if you compare the export margins from the year because 2021-2022 there was as I said we did a highest ever export of Rs.960 crore odd. 2020-2021 there was hardly any exports, so comparison would be better with 2019-2020 in the previous years. That is when you would be able to get an appreciable comparison of the export margins as it stands as of now vis-à-vis what it was earlier.

**Danesh Mistry:** Got it Sir and Sir if you do not mind me what is our order book? I have just missed that?

**Rahul Mithal:** The order book is Rs.5000 crore. Out of that about Rs.400 crore is balance on export.

**Danesh Mistry:** On exports and in consultancy Sir?

**Rahul Mithal:** Consultancy is about Rs.2000 crore.

**Danesh Mistry:** Thank you very much.

**Moderator:** Thank you. The next question is from the line of Chintan Sheth from Samiksha Capital. Kindly proceed.

**Chintan Sheth:** Sir on the railway procurement right now, recently we saw announcement of one of the entity getting Rs.7000 odd crore of wagon order and previously also another entity got Rs.4000 crore to Rs.5000 crore orders so these coach inspection business will definitely get benefited from it or we are facing competition there as well?

**Rahul Mithal:** Inspection business will definitely grow. Competition is there in every sector, whether it is in the inspection or whether it is consultancy but with our credentials and experience of inspection, whether it is inspection of rolling stock or whether it inspection of rail supply or a number of products that our QA wing does with more than 40 years of experience, is a well established business of ours and we are building up on our experience so that we are ready with the changing requirements. In fact, as I mentioned in my capex expenditure some time back that we are also planning to upgrade our inspection labs with the latest state-of-the-art equipment. Already few of our labs we have got accredited and whatever further equipment is required to have in-house detailed inspection facilities, we are spending some money on that to be able to do it in this FY.

- Chintan Sheth:** So that will be positive, right? The traction is getting started from the railway procurement?
- Rahul Mithal:** Definitely. It, the opportunities of this growth in orders for railway rolling stock, will be leveraged.
- Chintan Sheth:** Sure. Thanks and all the best Sir.
- Moderator:** Thank you. The next question is from the line of Viraj Mithani from Jupiter Financial. Kindly proceed.
- Viraj Mithani:** Sir I wanted a color on our subsidiary REMC Ltd in terms of growth numbers and the prospects going ahead?
- Rahul Mithal:** REMC has done fantastically well this time. The highest ever revenue of Rs.93 crore and it is up from Rs.68 crore last year. It has got a profit of Rs.45 crore, which is in a good bottomline margin of about 50%. REMC is doing great work in terms of not only supplies of traction power to the Indian Railways, and also the 26 megawatt wind power plant at Jaisalmer has shown its all time high. In fact, the revenue for this particular plant, is all time higher from Rs.16 crore last year to Rs.21 crore this year and machine availability was in an all time high, so this plant is doing very well. REMC is also majorly in part with the Ministry of Railways, for its net zero plan. It is playing a very active role in the way forward for all renewable energy plans for the Indian Railways, so it has got a very big growth trajectory. It has already shown its result in this year and it is going to further grow in this FY in the coming years also.
- Viraj Mithani:** Thank you.
- Moderator:** Thank you. The next question is from the line of Anurag Patil from Roha AMC. Kindly proceed.
- Anurag Patil:** Thank you for the follow? Sir lately you have been consolidating the operations in the IT segment also so can you throw some light on what kind of revenue potential we can see in the next coming two to three years from this segment?
- Rahul Mithal:** This has been new strategic thrust area. We partnered with TCS few months back and we are exploring a number of opportunities. Primarily they will be IT based applications which will be part of the products that I have mentioned sometime back which we are offering to our clients. If we are offering a smart city product to my client, we will be a MSI, a master systems integrator, which will have all IT based application based on that. For example, if we are right now doing a consultancy for the Tri-City of Chandigarh, the smart city and the

mobility plans, we are doing a consultancy for the mobility plans for the Guwahati City. So all IT based applications which can be supplementing my product which I offer to my client will be a part and parcel of my consultancy. It will be a major contribution to my consultancy revenue and with the partnership of TCS, we are exploring a number of opportunities both in consolidated products as well as few independent IT application products also.

**Anurag Patil:** Thank you very much.

**Moderator:** Thank you. The next question is from the line of Parimal Mithani from Prudential Investments. Kindly proceed.

**Parimal Mithani:** Sir I just like to get a number on the quality assurance business in the consultancy part for the current year?

**Rahul Mithal:** In terms of the QA business, the revenue has again reached the pre-COVID levels. It is about Rs.325 crore, which is up from Rs.229 crore last year, so it is a steady growth in the QA business. The profit also has been Rs.214 crore, which is up from Rs.172 crore last year. So margins are safe, QA is working. The growth is good; however, as I mentioned that QA, we are also further aggressively giving inputs to diversify, to be able to be ready for the new age areas and to be able to take the competition in this area head on.

**Moderator:** Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Kindly proceed.

**Rakesh Vyas:** Good morning. Sir just wanted to understand this consultancy order book of close to Rs.2000 odd crore what is the timeframe in which this needs to be executed if you can just throw some light?

**Rahul Mithal:** So, you see, consultancy business has different types of orders. Some are the initial DPRs and Feasibility Reports, some are the PMC consultancy which are in sync with the turnkey projects. If a turnkey project goes on an average from about two and a half to three years also something could go from two years to four years. So, depending on the nature of the consultancy order, the revenue of consultancy comes sometime anything ranging from six to 10 months to something ranging from about two to three years so that is average, as I said will depend on the type of the order of consultancy.

**Rakesh Vyas:** So just a follow up on this of this Rs.2000 odd crore if is possible to breakup between long term consultancy project and short term that will help?

**Rahul Mithal:** I think because every project and every consultancy order is unique in its own way. So, it is very difficult to compartmentalize it. But yes, we keep a tab very closely, so as to, if there are some borderline consultancy orders which are midway between short term and long term and we feel that they need to be pushed to expedite our revenue realization and also consultancy giving us better margin, we keep a tab on it and try to push it in every quarter.

**Rakesh Vyas:** Great Sir. Thank you so much. I have one more question, but I will come back. Thank you.

**Moderator:** Thank you. The next question is from the line of Arafat Sayeed from Reliance Securities. Kindly proceed.

**Arafat Sayeed:** Thanks for taking my follow up question? Sir my question is on what kind of opportunity you are looking in metro railway if you can quantify that that will be great Sir?

**Rahul Mithal:** Metro, we are getting good types of leads and already are maturing into orders both domestic and international. So we have a strong legacy of working in metros. About more than 25 odd domestic metros we have done. 2000 kilometers plus ((including various studies) of metro network we have already done in India. Internationally, we are the engineering, design and consultant for the Mauritius Metro. The phase two of Mauritius Metro, just got commissioned a month back. You must have seen it in the media. The balance leg of the Mauritius Metro is targeted to be completed by this year. So in terms of metro, we have a very strong vertical and we are also getting lot of new orders in Metro whether it is the PMC, we got an order for about Rs.20 odd crore from the Bengaluru Metro few months back. We got a metro consultancy work in Bahrain for a DPR work. So metro I see a lot of growth both in terms of the initial feasibility, the DPR, the engineering consultancy and now having tied up with BEML we are also pitching in a big way for entire one packaged solution both in terms of design, rolling stock supply by BEML and O&M by us, because we have an O&M experience. We are running more than 20 odd mini railway systems in coalfield and steel plants. So, with that we are offering in a number of cases an entire package deal. So, metro it is going to be a big growth area for us in the coming years.

**Arafat Sayeed:** Thanks. That will be great.

**Moderator:** Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Kindly proceed.

**Rakesh Vyas:** Thank you so much for the follow up Sir. One last question that I have was on the turnkey project business? Essentially, we have almost Rs.2200 crore of order book and last year the revenue recognition has been fairly muted? Any challenges that you are seeing in ramping



up this, I understand you have already highlighted and you expect this to improve significantly in FY2023 but if you can throw some light as to if there are any bottlenecks out there which needs to get ironed out and secondly related to this as well is the impact of the high raw material inflation that we are seeing generally across the board? Is it going to have any material impact on our expected margins?

**Rahul Mithal:** As far as the turnkey projects are concerned, the revenue was definitely muted about Rs.450 crore or Rs.460 odd crore in FY2021-22. These were projects which were at their initial stages and now they are also opening-up, the turnkey projects are very much on track and as I mentioned it and as you correctly said that I see this to be a significant contribution to the topline. I do not foresee any major challenges or any roadblocks. Minor issues here and there are always there at project site, but there are no major roadblocks per say in taking these forward and the second part related question. I am sorry I missed that?

**Rakesh Vyas:** The potential impact of the raw material inflation that we are seeing generally across the board, any impact that you might foresee on the margins?

**Rahul Mithal:** I do not foresee much of an impact there because all our orders have already built in that. So I do not see any appreciable impact on the raw material cost per say on the inflation or the raw material cost in terms of the margins.

**Rakesh Vyas:** Great. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Viraj Mithani from Jupiter Financial. Kindly proceed.

**Viraj Mithani:** Sir what will be our own cash in the company?

**Rahul Mithal:** Sorry.

**Viraj Mithani:** What will be our own cash in the company? Our own balance in the company our own cash balance?

**Rahul Mithal:** Cash balance is about Rs.900 crore. My Director Finance Mr. Nayak is there. He can give you the details.

**B P Nayak:** It is around Rs.950 crore.

**Viraj Mithani:** And that is all our own or it is clients funds also in that?

- B P Nayak:** That does not include the client funds.
- Viraj Mithani:** That does not include the client funds.
- Viraj Mithani:** Sir the interest on the client funds is earned by us or given back to the client?
- B P Nayak:** It is given back to the client.
- Viraj Mithani:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Harshit Kapadia from Elara Securities. Kindly proceed.
- Harshit Kapadia:** Thank you for the opportunity and congratulation for good set of results for FY2022. Sir my question is first on the wagon manufacturing recently a huge tender was being given by the Indian Railways? Had RITES participated in that tender and is there a possibility that RITES could be looking where we already have a JV with SAIL to increase our production there? If you can comment on that:
- Rahul Mithal:** As you are aware correctly, we have a 50:50 JV with SAIL at Kulti. We have an assured offtake order, so we did not bid for this and our production has also started having an upswing. We have done more than 450 odd wagons this year. We are targeting definitely a major growth in terms of the 2022-2023, we already have orders and we are also trying to see what other products we can take besides railway wagon. Let us see how we explore the opportunity for utilizing this facility even for other products. We have recently entered into a vendor registration with Tata Steel for fabrication of heavy engineering structures which we are going to plan to do it at that facility.
- Harshit Kapadia:** Thanks.
- Moderator:** Thank you. The next question is from the line of Chintan Sheth from Samiksha Capital. Kindly proceed.
- Chintan Sheth:** Sir one bookkeeping question on customer advance as on March 2022 on our books?
- Rahul Mithal:** What is the question specific? We did not get the question?
- Chintan Sheth:** Balance sheet item and customer advances on our books as on March 2022?
- Rahul Mithal:** I will ask my Director Finance.

- B P Nayak:** The client fund with us is Rs.2600 crore roughly.
- Chintan Sheth:** No in the liability Sir, what is our client advances we have received? It will be similar to client fund or it will be different?
- B P Nayak:** Yes, it is similar to the client fund around Rs.2600 crore.
- Chintan Sheth:** Sure Sir. No problem.
- Moderator:** Thank you. The next question is from the line of Harshit Kapadia from Elara Securities. Kindly proceed.
- Harshit Kapadia:** Thank you. Just a followup question on the domestic consultancy Sir, we have seen your order book on domestic consultancy has been coming down over last one and a half years? Just want to understand is it because of the competitive intensity, which has increased in certain sectors of the operation in the consultancy is that the primary reason or there are too many opportunities hence we are not becoming aggressive the way its competition is becoming to get more orders so what would be your view on this?
- Rahul Mithal:** I think your assessment in terms of the first point is very clear. See, we are very clear. We have seen a trend in the domestic consultancy area, a number of players pitching in with very low margins and low bids. We are very clear, we give a certain quality of consultancy. We made it very clear, we are not going to compromise on the quality and bid with certain kind of unworkable figures. So maybe you will find certain in total numbers of figure going down, but in terms of consultancy margins, we are very clear. We will maintain a certain appreciable level and I think with now the two quarters showing a lot of encouraging signs. In fact, in the last few months itself, the consultancy orders have again started picking up. So you can see this figure going up in the coming quarters. We have made a number of bids in core consultancy areas which are our strength, but we will maintain a certain level of quality while aggressively bidding for these.
- Harshit Kapadia:** Fair enough. Just a follow up on the international consultancy so you had given us a sense now are these projects which you are bidding for in the international side are funded by the Indian Government or is it like World Bank funded or ADB funded, so we are secure with payments as well?
- Rahul Mithal:** In fact, this is interesting and that is the thing which we are pitching aggressively. We are pitching and bidding competitively for international consultancy across countries, across sectors, and across funding mechanisms. So it could be funded by the local government there, it could be funded by an international multilateral funding bank, it could be funded

under the line of credit, so we have a mixture of all these kinds of consultancy orders and that is what keeps our revenue secured across the orders which we have in place. As I mentioned in last few months three or four immediate orders for consultancy we have got across countries, across sectors and across funding mechanisms.

**Harshit Kapadia:** Fair enough, Sir and all the best.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

**Rahul Mithal:** Thank you very much. I thank all investors and stakeholders for the confidence that they have shown in the company. We are quite pleased and excited about the fact that we have been able to, in fact, improve our pre-COVID level performance both in top and bottomline (Core EBITDA) by about 7% to 8% and with all the challenges. We are ready and we are committed to take this forward in the coming FY also. We are Future Ready and our mantra has always been and will always be, "not just more of the same, but much more of the new". Thank you.

**Moderator:** Thank you.

**-End-**

Audio file of the conference call is available at

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