THE INFRASTRUCTURE PEOPLE

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राइट्स लिमिटेड
(भारत सरकार का प्रतिष्ठान)
RITES LIMITED
(Schedule 'A' Enterprise of Govt. of India)

No. RITES/SECY/NSE
Date: May 26, 2023

To:	To:
Listing Department, National Stock Exchange of India Limited 'Exchange Plaza', C-1, Block G, Bandra - Kurla Complex, Bandra (E), Mumbai - 400 051	Corporate Relationship Department BSE Limited, Rotunda Building, P J Towers, Dalal Street, Fort, Mumbai – 400 001
Scrip Code- RITES	**Scrip Code**- 541556

Sub: Outcome of investors/analysts meet - Transcript of the Conference Call held to discuss Financial Results for quarter and year ended 31st March, 2023

Ref: Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015

Dear Sir/ Madam,

Please find enclosed herewith Transcript of the Conference call with analysts and investors held on Friday, May 19, 2023 to discuss the Financial Results of the Company for the quarter and year ended 31st March, 2023.

You are requested to take this information on record.

Thanking You,

Yours faithfully,
For RITES Limited

JOSHIT RANJAN SIKIDAR

Digitally signed by JOSHIT RANJAN SIKIDAR
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Joshit Ranjan Sikidar
Company Secretary & Compliance Officer
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"RITES Limited
Q4 FY2023 & FY23 Earnings Conference Call"

May 19, 2023

ANALYST:

MR. HARSHIT KAPADIA – ELARA SECURITIES PRIVATE LIMITED

MANAGEMENT:

SHRI. RAHUL MITHAL – CHAIRMAN & MANAGING DIRECTOR – RITES LIMITED
SHRI. B P NAYAK – DIRECTOR FINANCE – RITES LIMITED
SHRI. A K SINGH – DIRECTOR PROJECTS – RITES LIMITED
DR DEEPAK TRIPATHI – DIRECTOR TECHNICAL – RITES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY2023 Earnings Conference Call of RITES Limited hosted by Elara Securities Private Limited. As a reminder, all participant lines will be in 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 "*" 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 Private Limited. Thank you, and over to you Mr. Kapadia.

Harshit Kapadia: Thank you, Michelle. Good morning, everyone. On behalf of Elara Securities, we welcome you all for the Q4 FY2023 and FY2023 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. B P Nayak, Director Finance, Shri. A K Singh, Director Projects, and Dr. Deepak Tripathi, Director Technical. We will begin the call with a brief overview by the management followed by a Q&A session. I will now hand over the call to Rahul sir for his opening remarks. Over to you, sir.

Rahul Mithal: Good morning, everybody. Let me begin with a safe harbour statement. The presentation which we uploaded on our website yesterday and all discussions during the call today may have some forward-looking statements. These statements consider 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.

So, at the outset, I would like to introduce the latest addition to our board, Dr Deepak Tripathi, our Director Technical. He is from the 1990 batch of the Indian Railway Service of Mechanical Engineers. He has had a wide experience across various portfolios in the Indian Railways and Konkan Railway, and he is a graduate in mechanical engineering with a doctorate and post-graduation from NITTE specializing in operations, quality and lead management.

Let me at the outset break down the numbers for you in brief before I take the questions.

As you see the revenue quarter-on-quarter has been down by about 11%. If you see FY to FY, it has been flat. Primarily the export of rolling stock has been the reason for this. There is about a 70% to 80% drop in the contribution of this stream of revenue and this being a high-top line and high-bottom line contributor, the key point is that despite this drop the profits and the margins has been sustained.

So my consultancy stream of revenue has been an all-time high of about Rs.1189 crore which is about an 18% jump year-on-year. Further to this, the international consultancy which I have been saying in the previous interactions under the RITES Videsh initiative saw 50% jump year-on-year which is a high margin contributor so because of this in spite of about 70% to 80% drop in the contribution from the export of rolling stock stream of revenue, the profits have gone up. The EBITDA has gone up by about 6% to 7% and the margins also have gone up on average by about 1%. The core EBITDA margins have gone up by about 1%. They are safe in the range of about 27%. The PAT margins have also gone up by about 1% so we are about 21%. Moving forward we are building up on this core consultancy stream of revenue and getting more export of rolling stock orders in the coming FY. On this opening backdrop, and I am open to questions now.

Moderator: Thank you very much, Sir. Ladies and gentlemen, we will now begin with the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue you may press "*" and "2". Participants are requested to handsets while asking a question. Ladies and Gentlemen, we wait for the moment, while the question queue assembles. Ladies and Gentlemen, to ensure that the management can address questions from all participants in the conference, please limit your question to 1. If you have a follow-up question, please rejoin the queue, Thank you. The first question is from the line of Shreyans Mehta from Equirus Capital. Please go ahead.

Shreyans Mehta: Congratulations on your strong operating performance. Sir My first question is primarily what is the revenue growth that we are targeting for this year and in terms of exports when can we see traction in the export orders?

Rahul Mithal: So, the first part of your question is regarding growth. You see, as we have been reiterating, we are a bottom-line growth-driven company. We will target growth over the previous year's performance. You have seen a growth of about 6% to 7% in our bottom line and that has been in spite of such a muted contribution from the export of rolling stock so with this trend of growth in the consultancy stream which is a good margin area we will build up in this growth in the bottom line and by the latter part of the year this contribution from the export of rolling stock should also add to this, so we are aiming to better this growth of 6% to 7% in the bottom line. As far as finite orders from the export of rolling stock are concerned, we are very close now to a number of prospective clients. You see there is a lot of pent-up demand in a number of prospective clients across Africa and Southeast Asia for the export of rolling stocks. However, post-COVID, they are taking some time to get their funding mechanisms in place because the economy is also recovering, but the stage at which we are in now, we are very confident that very soon, aiming to in this quarter itself, try and get some finite orders so that by the latter part of this FY the revenue from these orders start contributing.

Shreyans Mehta: Got it, Sir. I have a couple more questions. Thank you.

Moderator: Thank you. The next question is from the line of Yash Gupta from Think Right Advisory. Please go ahead.

Yash Gupta: Good morning, everyone. Sir this quarter we have seen a margin dip across all our verticals whether it's consultancy, export, or turnkey. How are you looking at this and what trajectory we can expect going forward?

Rahul Mithal: So, I think Yash let me correct you. There has actually been an improvement in margins in all across streams of revenue QoQ. In fact, if you see the consultancy itself year-on-year also and that is the key point. In my consultancy, there is an improvement of about 3% in the margin. There is an improvement in the turnkey which is in any case a low-margin area. That also has improved from about 3% to 4%. My QA, which is also an important area, has also improved in margins. So except for the contribution from the export of rolling stock, there has been an improvement in margin from my all-other streams of revenue and that is the very reason why you see an improvement in the margins by about 1% to 1.5% whether it is the EBITDA margin which is in the range of about 27% now or the PAT margins which are in the range of over 21% now.

Yash Gupta: Okay thank you.

Moderator: Thank you. The next question is from the line of Rohit Natarajan from Antique Stock Broking Limited. Please go ahead.

Rohit Natarajan: Thank you for this opportunity. Sir my question is about the continuation of the earlier point you made on the export orders. Can you give us a timeline as in before what time will you be looking at these export order inflows to flow in and B part of the question will be, will it not have the spillover effects in FY2025 too?

Rahul Mithal: Yes, for sure. You see the first part regarding the timeline we are aiming to get it as early as possible. Our expectations are maybe very soon, maybe in this quarter itself. I mean, until we have a finite order in hand, it will not be correct for me to speculate. However, as I very clearly reiterated that we are in very advanced negotiations with several prospective clients, and I am sure that we should be able to convert it into a finite order very soon and export of rolling stock by its very nature are long lead orders. They take some time to manufacture and then shipment, and the revenue starts maturing only when the shipment happens. So, the aim is to get some orders in this Q1 itself so that by the latter part of FY, the revenue starts coming in from these orders. They will definitely spill over to the next FY. The aim is that this gap of about two to two and a half years, unfortunately, because of the COVID period where there were no fresh orders, has resulted in the gap in contribution from this stream of revenue. Moving forward, we are aiming to have a mix of several rolling stock export orders so that there is a steady stream of revenue contribution which continues starting from the latter part of this FY.

Rohit Natarajan: Thank you Sir. I will join back in the queue.

Moderator: Thank you. The next question is from the line of Sanjay Doshi from Nippon India Mutual Fund. Please go ahead.

Sanjay Doshi: Good morning management team and congratulations on a very robust year despite all the challenges that you keep on highlighting. So my only question is on the overseas consultancy business which is getting very strong traction now in the last 12 months that we have seen. If you just help us appreciate what has been RITES doing it right to be able to make good of this opportunity. And if you can help us understand this opportunity from a three to five-year perspective? Thank you.

Rahul Mithal: Thank you so much. In fact, you asked a question very close to the heart of our entire company. We have made very aggressive forays under the RITES Videsh initiative in the last FY across areas of consultancy and across continents. And as post-COVID, the world has opened, we have been getting orders and leads and revenue realization across sectors. So, whether it is a highway project in Guyana, the metro in Mauritius, we are doing a rail infra and a highway project in Bangladesh, ICP project, and airport project in Nepal. That has made it possible to see a 50% growth in the international consultancy revenue. Moving forward, we are confident that this trend will continue. The kind of traction, the kind of mileage, and the kind of leads we are getting across countries. We are sure that we will be able to capitalize and build up on this trend. You will see in this FY, moving forward also this is going to continue to grow.

Sanjay Doshi: Thank you very much and all the best Sir.

Moderator: Thank you. The next question is from the line of Gautam V, an Individual Investor. Please go ahead.

Gautam V: Good morning, Sir. Congratulations on the good results. Earlier, there was some thought process about expanding the project portfolio for the export business. I believe we were targeting new countries with different gauges of railways. could you please throw some light on the footprints on that piece?

Rahul Mithal: Yes, in fact, that is our core focus area. You see, just before COVID, we got this very interesting order of export of rolling stock to Mozambique, including locomotives, coaches and DMUs. This order was a cape gauge order which is unique. It is 1067 mm, a little more than the meter gauge. There are about 11 countries in Africa and neighboring countries across Africa which have this gauge. so, with the order, as this order matured and we completed the shipment in the last 2021, 2022 and part of it in 2022-2023 this has got a lot of mileage. That is the reason why a number of countries in Africa have reached out to us to get similar kinds of rolling stock in cape gauge. We are more than equipped for it and this is what as I said we have been targeting very aggressively. These countries are getting their funding mechanisms in place. As I said post-COVID they are taking a little time to recover but I said I am confident that we should be able to translate this into orders very soon.

Gautam V: Understood Sir. Thank you.

Moderator: Thank you. The next question is from the line of Pranay Khandelwal from Alpha Invesco. Please go ahead.

Pranay Khandelwal: Thanks for the opportunity. I wanted to ask in the last quarter you had guided that there will be some non-railway orders in the QA business so can we just give a breakup of what it was last year and this year?

Rahul Mithal: See on an average, we have both kinds of clients whether this is Indian Railways as a client and non-Indian Railway as a client across various sectors. So, as I said in the last interaction as the Indian Railway stream of revenue has now opened up to three other players, our aim is to continue to tap more and more further clients so that the overall stream of revenue from this stream remains intact and this quarter itself you would have seen that there is a growth in this stream of revenue. There is a contribution of growth of about 10% growth. So, this has been possible because despite the competition from Indian Railways, as a client we have been able to tap a number of non-Indian Railway clients also and this is a trend that is going to continue so that overall, you should be able to see a steady stream of revenue from QA sector.

Pranay Khandelwal: Thank you.

Moderator: Thank you. The next question is from the line of Vishal Periwal from IDBI Capital. Please go ahead.

Vishal Periwal: Yes, Sir thanks a lot for the opportunity, and one question on the consultancy side. We have an order book which is Rs.27 odd billion what is the export side contribution in this, and if you have the same numbers for FY2022 also?

Rahul Mithal: Yes, good morning, Vishal. As you said correctly, the total 5870 order book, the turnkey is about 2850. The consultancy is about 2700, and the export is only about Rs.100 crore, with the balance being export of rolling stock and leasing at Rs.150 crore, and the balance about is RMC.

Vishal Periwal: In consultancy because there is a line item in consultancy revenue line item of domestic and export revenue. So, within this order book of Rs.27 odd billion, what is the export side order book for consultancy?

Rahul Mithal: No, export is a separate. The export line item is for the export of rolling stock, that is Rs.100 crore. We demarcate the revenue streams, and export of rolling stock. Consultancy is 2700 which includes all sectors whether some of them are domestics, and some are international consultancy which is the total consultancy pie. The export of rolling stock is over and above 2700, which is pure export of rolling stock which is Rs.100 crore balance.

Vishal Periwal: Okay if I may ask one last question so I think the pie of this export side consultancy has increased in this year to around 30% odd. So, it looks like there is a benefit of operating leverage in this line item can you guide me in how this number could be in FY2024 or FY2025? maybe a ballpark will be helpful, sir.

Rahul Mithal: So, you see Rs.1189 crore is the total revenue from my consultancy stream which is a growth of about 18%. Out of that, Rs.1189 crore, there is an international consultancy element also. This is a non-export of rolling stock pure international consultancy, which has seen a growth of about 50%. So, that is what I mentioned some time back that this is an area moving forward. This trend is going to continue because within the consultancy pie itself between domestic consultancy and international consultancy, international consultancy gives me a slightly better margin. And that is the reason why the overall consultancy pie margins have gone up by about 3%. That is primarily that despite competition in the domestic sector of consultancy because of my growth in international consultancy, I have been able to have a growth in margins of about 3%.

Vishal Periwal: Sure Sir. Thank you.

Moderator: Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors Private Limited. Please go ahead.

Dixit Doshi: Yes, thanks for the opportunity. In terms of consultancy, if we see the consolidated numbers the revenue is slightly higher, I think approx. Rs.1300 crore, and there our margins are almost at 50%. So, do you feel that such margins are sustainable? and secondly, on the export of rolling stock business so I understand that you cannot guide for any exact numbers for the future orders but let us say in FY2023 we did Rs.300 crore top line. A year before that was almost Rs.1000 crore. Can it be like Rs.400 crore to Rs.500 crore revenue every year once the cycle starts?

Rahul Mithal: Yes, very correct. In fact, you have got the complete details rights, and you hit the nail on the head. In fact, the total consultancy is Rs.1189 crore, which includes domestic consultancy and international consultancy. It includes the QA also, so this has overall seen a growth of about 18%. Yes, this has seen very good margins, and that has been primarily because of a good growth in our international consultancy. There was good growth in our QA business. Moving forward, while the stress on margins due to conventional areas of domestic consultancy will be there and that was there in the last FY also but in spite of that the consultancy itself saw good growth in margins not only in numbers but also growth in margin. So moving forward our focus in consultancy would be, as far as the domestic sector is concerned to focus more and more on high margin skilled areas of consultancy which is our core strength i.e. metros, bridges, tunnels, urban engineering, city planning. In terms of international consultancy to grow further aggressively so that overall, you at least see sustain margins to the extent possible. If not grow but at least grow in terms of the top line and bottom line in consultancy.

As far as the export of rolling stock is concerned, you made a very good assessment of the kind of steady basis revenue on an annual basis for which we are aiming. As you see Rs. 966 crore were in 2021-2022 and about Rs. 300 crore in 2022-2023 which is primarily from two orders of Mozambique and Sri Lanka. So going by the past trend and the past few years that RITES has been exporting rolling stock to countries and the average size of the orders that we get plus the lead time that it takes to manufacture and export them, I think a fair enough assessment or at least a target on a steady basis of about Rs.400 crore to Rs.500 crore on an annual basis would be a good target to meet.

Dixit Doshi: Okay that is it for me. Thank you.

Moderator: Thank you. A reminder to all the participants, anyone who wants to ask the question may press "*" and "1". The next question is from the line of Uttam Kumar Srimal from Axis Securities Limited. Please go ahead.

Uttam Kumar Srimal: Yes, thanks for the opportunity, Sir. Sir last year we did a revenue of around Rs.915 crore in turnkey. So, what kind of revenue growth we are expecting in the turnkey this year?

Rahul Mithal: Turnkey has grown quite a lot as you see from the numbers and that has primarily happened because of the about 70% to 80% drop in the revenue contribution from the export of rolling stock. The top line has been and that is why the overall revenue is about flat on year on your basis and that is basically because of substantial growth in the contribution from the turnkey segment. However, having said that as we have been very clearly saying that we are a consultancy company, our key focus continues to be earned on the high margin consultancy area. Moving forward as we mature some export of rolling stock orders, the contribution of the turnkey segment to our overall revenue is going to gradually taper off. so our focus will and has been and will remain on consultancy as well as export of rolling stock.

Uttam Kumar Srimal: Okay Sir thanks a lot.

Moderator: Thank you. The next question is from the line of Naysar Parikh from Native Capital. Please go ahead.

Naysar Parikh: Good morning. I just want to ask on the consultancy side right the order book that we have can you give us splits and out of that how much is the nomination versus competition base that we won? Overall, it seems like it is 50:50, but is it different on the consultancy side?

Rahul Mithal: The trend has been that in the last year, all my clients across various sectors, across states, across PSU, across private entities, and across the Indian Railway as a client has now started moving on from nomination to the competitive basis and you put it correctly that overall in fact it has now moved to about 50% on competitive basis. so, it would be very difficult to give bifurcation across sector, because we operate in about eight to ten key sectors and every sector has a different percentage of the competitive versus nomination. For example, in the metro sector I would say it is all 100% on competitive basis. It is zero on nomination, so it is primarily varying from sector to sector. Recently we have got a number of ropeways to make DPRs for the port connectivity for the IMS from NHLML. All these are on a competitive bidding basis, so this is again 100 to zero. Yes, there are certain clients like some PSUs or certain states which give orders may be in rail connectivity and rail infra on a nomination basis. But the extent of variation from sector to sector is very large.

Naysar Parikh: Right, got it. Now, the Rs.2700 crore order book that you have, out of that how much is executable in this year FY2024 and how much beyond? Secondly, how much percentage is international in this Rs.2700 crore?

Rahul Mithal: So, the first part of your question you see the consultancy as you would appreciate by its very nature has orders varying from timelines of about three to six months to orders varying from about three to four years so that is a wide mix depending on the nature of the order. You could be doing a PFR or a DPR which you have to do in three to six months. You could be doing PMC or general consultancy of a capex infra project which will last in construction for about three years so the range varies vary largely. Rs. 1189 crore was the consultancy revenue an 18% growth year-on-year so this year also this is the trend that we are aiming at from a mix of the short lead, medium lead and long lead order and in terms of international consultancy the revenue growth which you saw and 50% growth year-on-year that trend would definitely aim to be continued in this FY from this Rs.2700 crore pie.

Naysar Parikh: Got it, is overall growth and within that 50% for international right?

Rahul Mithal: Yes.

Moderator: Thank you. The next question is from the line of Rohit Natarajan from Antique Stock Broking Limited. Please go ahead.

Rohit Natarajan: Thank you for this opportunity again. Sir if you could guide us what is the initial feel about export EBIT margin that you are currently negotiating with? I am given to understand I mean in the last calls you have indicated somewhere like 15% to 20% but historically we have clocked even much higher number is there any translation gains you expect or something of that sort?

Rahul Mithal: So, if you are talking about the export of rolling stock traditionally.

Rohit Natarajan: And EBIT margins are what?

Rahul Mithal: Yes, so the export of rolling stock margins have been traditionally over the last four to five years if you see our stream-wise margins analysis export of rolling stock has been in the range of about 20% odd. Now these would vary from order to order and not be possible for me to reveal the negotiations of the margins on each individual order. I mean they would vary from order to order but yes that has been the trend of margins and that is what would be the aim. However as I mentioned with every passing year, this sector is also becoming more and more competitive and post COVID all the prospective client countries in Africa and Southeast Asia they are also a little cash trapped, so they are also trying to optimize the order values because of their funding issues. So obviously these margins will also be difficult to sustain but yes they have been traditionally in the range of about 20% odd.

Rohit Natarajan: Thank you Sir. That it from my side. Wish you all the best.

Moderator: Thank you. We have the next question from the line of Gautam V an Individual Investor. Please go ahead.

Gautam V: Just wanted to understand the longer-term perspective are there any new business verticals or new products which are being developed? Earlier the previous chairman had also mentioned some thought processes around getting into road constructions, etc., maybe that was not going forward but if there are any other plans or business expansions if you could please share some thought processes for a three to five-year view that will be great.

Rahul Mithal: Right, so coming your second part of the question first, we are not a construction company, and we will not foray into any kind of major diversification, or any kind of even aggressive growth in being a construction company. We are a consultancy company, and as you have seen in the results of this year also that has been the growth area as I said about 18% growth in the consultancy revenue and that has what has made it possible for the margins also to not only remain secure but grow and also the PAT to grow more from 6% to 7% in spite of muted contribution from export of rolling stock. Having said that consultancy both domestic and international across sectors will remain our focus area and as far as diversification is concerned, besides tapping on the new areas announced in the budget last year and this year you see Jal Jeevan Mission. Now that is another very important area which was announced a few years back. There is a large budget allocation for that. We recently got an order from the Rajasthan Jal Jeevan Mission of about Rs.148 crore and we hope to be able to capitalize on this and we are aiming to try and tap opportunities across states. Another very major area which I have been mentioning in my past few interactions was that last year we formed a new vertical called sustainability and we were very confident that by latter part of the year, we would be able to tap the various opportunities across states and get some orders. We are very happy that within a short period or less than a year, this newly formed vertical, have been able to get orders from the Ministry of Housing and Urban Development as a consultant for that solid waste management and used water management. We have been able to get orders in Bengaluru for air pollution and solid waste management, and there is a lot of potential across states in sustainability. So, that is an area which is a new age area. It has a lot of scopes that we are going to grow in aggressively.

Gautam V: Understood Sir. Sir just one thing on the cash balances could you please throw some idea on what the balance looks like and what your plans could be utilization of cash?

Rahul Mithal: We have got a cash balance of about Rs.800 crore and we are a low capex company. Our capex has been in the range traditionally of about Rs.100 odd crore. This year also we are aiming for about Rs.100 odd crore so moving forward, we do not see any major capex investment and that is the very reason we like to give back what we earn to our investors as you see with the final instalment recommended by the board for about Rs.6 per share makes it a total of Rs.20.5 a share which is about 92.8% of our profit we are giving back to the shareholders as a dividend. That is going to be the trend that we are aiming for in the coming years also.

Gautam V: How much of this is the working capital requirement?

Rahul Mithal: Our working capital requirements are very minimal as I said and we are a debt-free company, with very minimal working capital requirements and a very low capex.

Gautam V: Sure Sir. Thank you.

Moderator: Thank you. The next question is from the line of Ankur Sanwal an Individual Investor. Please go ahead.

Ankur Sanwal: Sir what is the potential of QA work in country like India and for company like RITES.

Rahul Mithal: It is a tremendous potential. I am glad you asked this question. Recently we have been certified as an ISA company also. We are maybe the second company in India, and the only PSU to have an ISA certification that further adds to our bouquet of services. We have been in this business for more than 40 to 45 years now and we have been doing QA across sectors whether it is the rail sector, private clients, structure, civil engineering, and electrical engineering. So, that is the wide bouquet of services that we offer under our QA vertical and with this recent additional certification that we have got, I am sure that this QA business in spite of increased competition is only going to grow.

Ankur Sanwal: Sir just one suggestion apart from dividends if we can also think of buyback with such an amount of cash we are generating and that will be good for the company in the long term. Thank you, Sir.

Rahul Mithal: Thank you, your suggestion is noted. We will definitely look at it in the coming FY, if possible. Thank you.

Moderator: Thank you. The next question is from the line of Parimal Mithani from Credential Investments. Please go ahead.

Parimal Mithani: Good morning, Sir. Thanks for the opportunity I just wanted a breakup of the quality insurance for the entire year how much was a part of the consultancy and the breakup in the order book also?

Rahul Mithal: You see as far as the order book is concerned QA is a part of it a rolling order book so it will not be, it is a constant order that you keep getting and we ensure that it is a rolling order book. In terms of contribution to the total consultancy, it was about Rs.390 odd crore which is all time high also in terms of contributing to the consultancy stream and that is why it has gone a big way in contributing both in terms of the top line and bottom line for the consultancy stream of my revenue.

Parimal Mithani: Is it fair to assume that this business has doubled from the time of listing till now Sir?

Rahul Mithal: It has seen a steady growth, I would not say doubled, but it has seen a steady growth.

Parimal Mithani: Sir last question is you formed a company called Elicius Energy Private Limited, what is this company about Sir?

Rahul Mithal: It is not a company. It is an investment. You are talking about Elicius right?

Parimal Mithani: Yes Sir.

Rahul Mithal: So, it is an investment of ours for a startup with IIT Madras, for doing research work. As an incubator, we encourage R&D work. This is for studies in drone technology, in renewables and in research in that area.

Parimal Mithani: Okay Sir thank you.

Moderator: Thank you. The next question is from the line of Viraj Mithani from Jupiter Financial. Please go ahead.

Viraj Mithani: Good morning, sir, and congratulations on a good number. Sir my question is with the export of rolling stock coming back and other sectors sharing for us would it be fair to assume we will have a double-digit top-line growth and the bottom line will be maintained at the same level in the years to come?

Rahul Mithal: I am glad you asked this question. You see I would put it in reverse. As you correctly said with all other sectors firing for us and all my streams of revenue have seen growth year-on-year in spite of muted contribution from exports, as I said from one stream you saw a 6% to 7% growth in the bottom line, so we will aim to improve this trend of growth in the bottom line more and let's aspire for a double-digit growth in the bottom line that would be our aspiration, our vision and our target.

Viraj Mithani: Okay means now the bottom line should improve in the days to come that is what the aim of the management.

Rahul Mithal: That is our vision, our aim, and our aspiration.

Viraj Mithani: Okay thank you, Sir. Thank you so much.

Moderator: Thank you. We have the next question from the line of Harshit Kapadia from Elara Securities Private Limited. Please go ahead.

Harshit Kapadia: Thanks for the opportunity, and congrats on a very cool performance on consultancy. A few questions from my side Sir. Just on the REMCL, we are already seeing the electrification now touching about 84% probably and in the next years' time it will touch 100% so where are we in terms of REMCL getting more business from the Indian Railways so out of 3 gigawatts which was estimated how much of electrification we have done from REMCL point of view ? and connected to this, is the DFC is expected to be operational in the next one and a half years time so are we also going to get the REMCL as in the electrification for DFC as well any color on this would be helpful.

Rahul Mithal: So REMCL I must say has performed well in this FY and it has further contributed to the overall performance of RITES as a consolidated performance. You see REMCL had major landmarks in this FY. It became a debt-free company. It capitalized on the growth of the electrification in Indian Railways and the growth in traffic post-COVID. For the first time crossed the Rs.100 crore bar of revenue. It has made a revenue of Rs.117 crore. It has a profit of Rs.59 crore which is a growth of 31%. For the first time, gave the highest-ever dividend to its shareholders that is Indian Railways and RITES. It has given a total and it has recommended the final dividend of Rs.3 per share and interim of Rs.2.5 a share, it would total up to about Rs.58 crore of dividend which is about 98% of its PAT. It is distributing it as a dividend to its shareholders, so REMCL has seen a tremendous performance this year. It is a PAT margin of 50% plus and correctly said with this electrification reaching its complete nearly 100% in this FY and DFC coming up. REMCL can only grow, and we are targeting more aggressive growth in this. Further today, it is catering to about 70% odd of the overall requirement of traction energy for Indian Railways and there are about seven states which are still not on the open access. The effort is to be able to get these states on the open access so that we can increase even further. Besides the growth in electrification and traffic in Indian Railways more and more open Access, will increase the revenue of REMCL further.

Harshit Kapadia: Fair enough Sir. I will join the question queue.

Moderator: Thank you. The next question is from the line of Harshit Kapadia from Elara Securities Private Limited. Please go ahead.

Harshit Kapadia: Thank you once again. Sir just a bookkeeping question what is the QA revenue for the entire FY2023 Sir?

Rahul Mithal: The QA revenue has been Rs.393 crore which is a jump of about 20% from the previous FY.

Harshit Kapadia: And what is the rail and non-rail share within this Rs.393 crore?

Rahul Mithal: It is roughly about two-thirds and one-third, two third rail and one-third non-rail.

Harshit Kapadia: Okay and I will join the question queue, Sir. Thank you.

Moderator: Thank you. The next question is from the line of Gautam V, an Individual Investor. Please go ahead.

Gautam V: Sir just wanted to understand the JV of ISRDC could you please share an update on that?

Rahul Mithal: So yes, good afternoon, Gautam. so, in 2021-2022 latter part of 2021-2022 a decision was taken to close ISRDC and post that the process has started and is following the due necessary procedures I am sure that our expectation is that by the end of this FY, we are expecting that all necessary formalities would have taken place for its final closure.

Gautam V: Is there any capital which will come back to RITES as a part of the closure?

Rahul Mithal: No, capital will come back but we do not foresee any major adverse impact also on its closure.

Gautam V: Understood. Thank you.

Moderator: Thank you. We have the next question from the line of Harshit Kapadia from Elara Securities Private Limited. Please go ahead.

Harshit Kapadia: Yes, thanks, Sir. Just wanted to get the color on the consultancy within the domestic landscape if you can highlight some of the projects or some of the large projects where you are drawing consultancy across your infrastructure segment that would be helpful so that we can track how things are happening that is the first part.

Rahul Mithal: So, you see, our aim, and let me put it this way, our aim in domestic. We have about 10 different areas where we do domestic consultancy across all areas of infrastructure. Now, in this, there are certain areas where over a period, because of a large number of even small players coming up, the competition has become -- I would use the word--very stiff and margins have become very tight like highway consultancy and building consultancy. While we are still getting a lot of orders in that, however, our focus is also to get more and more orders parallelly in the higher margin consultancy areas. Those are our core strength, where there are good players to compete with and then if you win a contract on competitive bidding, you get a good top line and bottom line, it is metros, city planning, DPRs or PMC for connectivity type of work. Now, as I said, we are getting a lot of work in ropeways, which is again a core strength of ours. We are getting a lot of work in city planning and IMS i.e. integrated model stations. These are the areas which are our traditional core strengths, and this is where we will continue to aim. We have got some recent orders from Jal Jeevan as I mentioned. We got some orders in Kerala of about Rs.84 crore on the non-transport sector of all infra consultancy there. We have got an order in Northeast from Assam Health Department for doing their project management consultancy for the construction of 12 hospitals, so these are areas which are relying on our core strength, and that is the area which we are going to work on. We have recently got an order from Hyderabad Metro General Consultancy, this is where we are going to target aggressively besides taking orders in the conventional areas of consultancy and new areas of sustainability.

Harshit Kapadia: Fair enough, Sir. Wishing you all the best. I will join the queue.

Moderator: Thank you. The next question is from the line of Prasanth Gopal from Spark Asia Impact Managers. Please go ahead.

Prasanth Gopal: Sir could you give some color on the leasing business on the margins there?

Rahul Mithal: Yes, so leasing is a good traditional business of ours which gives us good margins of about 30% and in leasing we own about 65 odd diesel locomotives of ours which we operate. We provide wet leases to a number of sidings and in-plant use. We run actually mini railway systems for them whether it is coal sidings or steel plants or power plants. We also operate and maintain the rolling stock which is owned by some of the clients like these coal plants or power plants. We also maintain and operate run their mini railway systems so that is a good business. It has seen a steady growth. It is a good-margin business. It contributes also to our top line of about 5% of our top line. It gives us good margins of about 30% plus, so we see this is a good steady stream of business and as these number of private players are also coming up in mines and in steel plants and power plants, we are getting orders from them also in this sector.

Prasanth Gopal: Thank you, Sir.

Moderator: Thank you. The next question is from the line of Viraj Mithani from Jupiter Financial. Please go ahead.

Viraj Mithani: Sir can you give me some sense of your numbers into the sustainability vertical that would be the numbers you have done and then some sense should be helpful.

Rahul Mithal: Yes, so as I mentioned this is a newly formed vertical sometime early last financial year itself and by latter part of this FY, we started getting some order. For example, the order which we have got for being their consultant for solid waste management and used water management, that is about Rs.12 crore order. We have got an order from Bengaluru for solid waste management that is about Rs.4 crore to Rs.4.5 crore order. These are of size of a normal consultancy order. They are in the range of about Rs.4 crore to Rs.5 crore to Rs.10 crore. Moving forward, we see as I said in a short time of about eight to 10 months of this vertical we have already started converting them into orders and then we are tapping a number of states and prospective client to grow in this. These two orders, which have come recently secured, will start contributing revenue from this Q1 itself of this FY.

Viraj Mithani: Would it be fair to assume that the margins in this kind of business are higher than the normal level with better margins?

Rahul Mithal: That would be too premature right now to give a generalization. This would depend on order to order, client to client. Maybe as we get more orders and the revenue starts coming in, it will be a better assessment, but yes these are good margin areas because these are niche areas and very few players have the kind of capability and strength that we have and that is the very reason we formed this vertical. We were doing consultancy in this for the last 30 to 40 years. The only thing, this skill was distributed across my other infrastructure verticals, so if we were doing highway work, we were doing some sustainability part of that, we were doing a building work, there was a green building element to it, and we were doing a metro work where there was an EIA & SIA associated with that. This is a conscious measure to tap this avenue, we pooled in these resources and the skill of an experience and formed a standalone vertical which could get more finite standalone orders.

Viraj Mithani: Thank you Sir.

Moderator: Thank you. The next question is from the line of Harshit Kapadia from Elara Securities Private Limited. Please go ahead.

Harshit Kapadia: Thank you for the opportunity to just one question on the turnkey construction. We have seen that the segment is now being opened to private players as well so how has been the bidding? Have you seen more aggression coming in or what is your understanding of how the competition is fairing? Earlier only it was railway companies were competing.

Rahul Mithal: Yes, very true as you correctly said for all railway construction projects also whether it is station development or new line doubling works, all rail infra has been opened to a lot of competition. Some time back, projects of railways were being given on limited bidding between the railway PSU and then some other non-railway PSU. In the last FY, all sectors of construction for rail infra has been opened up to all private players also so yes it is definitely more competitive and we as I said as a strategy limiting our exposure to this turnkey business to a very limited amount and we take that strategically based on certain clients and certain sectors whether it is some rail infra or like a metro depot in Bengaluru or the IIT Delhi building. So we pick and choose and stagger them so that we have limited exposure to this low margin business.

Harshit Kapadia: Understood Sir and wish you all the best, Sir.

Moderator: Thank you. The next question is from the line of Ankur Sanwal, an Individual Investor. Please go ahead.

Ankur Sanwal: Sir what are the margins we are seeing in the Q&A business?

Rahul Mithal: So, the overall margins of the consultancy revenue has been about 35% margin. There is a 35% plus margin which has contributions from domestic, QA, non-QA, and international so we look at margins on the overall consultancy stream.

Ankur Sanwal: Thank you Sir.

Moderator: Thank you. The next question is from the line of Parimal Mithani from Credential Investments. Please go ahead.

Parimal Mithani: Sir thank you once again. Sir, I just wanted to know in your consultancy order book for the entire year can you give a breakup between domestic and international Sir if you do not mind?

Rahul Mithal: No as I said the orders, the consultancy order book is at a total of Rs.2700 crore and this is fluctuating some of the orders are QA in that, some of them are domestic, and some of them are international. The growth in international revenue is about 50% and the orders which are part of this will ensure that this trend continues in international consultancy.

Parimal Mithani: Okay thank you.

Moderator: Thank you. Ladies and gentlemen as that was the last question for today, I would now like to hand the conference over to Mr. Harshit Kapadia for closing comments. Over to you.

Harshit Kapadia: Thank you, Michelle. We would like to thank you, Shri. Rahul Mithal, Chairman and Managing Director, Shri. B. P. Nayak, Director Finance, Shri. A. K. Singh, Director Projects, and Dr Deepak Tripathi, Director Technical for giving us an opportunity to host this call. We also would like to thank all investors and analysts for joining this call. Any closing remarks Rahul sir you want to share with investors?

Rahul Mithal: Yes, I would just like to reiterate that the performance in our consultancy wings, it is an all-time high revenue of domestic and all-time high revenue of international consultancy. The orders receiving a consultancy order of about 200 fresh consultancy orders in this FY all these underscores the PAT and come out very aggressively and make a very strong statement that this is our core business. We are a premier consultancy company that is our niche area of operations, and we will continue to grow in this and tap all possible domestic and international opportunities including the niche and growth areas of diversification areas like sustainability, etc., so that we can raise the bar further in every FY. Thank You.

Moderator: Thank you very much. On behalf of Elara Securities Private Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.

-End-

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