

No. RITES/SECY/NSE

Date: June 05, 2024

To Listing Department, National Stock Exchange of India Limited, Exchange Plaza, C-1, Block G, Bandra - Kurla Complex, Bandra (E), Mumbai – 400051	To Corporate Relationship Department, BSE Limited, Rotunda Building, P J Towers, Dalal Street, Fort, Mumbai - 400 001
<b>Scrip Code- RITES</b>	<b>Scrip Code- 541556</b>

**Sub: Outcome of investors/analysts meet - Transcript of the Conference Call held to discuss Financial Results for quarter and year ended 31<sup>st</sup> March, 2024**

**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 Wednesday, 29<sup>th</sup> May, 2024 to discuss the audited financial results of the Company for the quarter and year ended on 31<sup>st</sup> March, 2024.

This is for your information and records.

Thanking You,

Yours faithfully,  
For **RITES Limited**

**Ashok Mishra**  
Company Secretary & Compliance Officer  
Membership No.: F6411

**Transforming to GREEN**

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**CIN: L74899DL1974GOI007227**



“RITES Limited  
Q4 FY '24 and FY '24 Earnings Conference Call”  
May 29, 2024



**MANAGEMENT:** **MR. RAHUL MITHAL – CHAIRMAN AND MANAGING DIRECTOR.**  
**MR. A.K. SINGH – DIRECTOR PROJECTS**  
**DR. DEEPAK TRIPATHI – DIRECTOR TECHNICAL**  
**MR. K. G. AGARWAL – DIRECTOR FINANCE**

**MODERATOR:** **MR. MUDIT KABRA -- ELARA SECURITIES**

**Moderator:**

Ladies and gentlemen, good day, and welcome to the RITES Limited Q4 and FY '24 Earnings Conference Call hosted by Elara Securities 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 the star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mudit Kabra from Elara Securities. Thank you, and over to you, sir.

**Mudit Kabra:**

Thank you, Steve. Good morning, everyone. On behalf of Elara Securities, we welcome you all for the Q4 FY '24 and FY '24 Earnings Conference Call of RITES Limited. I take this opportunity to welcome the management of RITES represented by; Shri Rahul Mithal, Chairman and Managing Director; Shri Arun Kumar Singh, Director Projects; Dr. Deepak Tripathi, Director Technical; and Shri Krishna Gopal Agarwal, Director Finance. We will begin the call with a brief overview by the management, followed by a Q&A session.

I'll now hand over the call to Rahul sir for his open remarks. Over to you, sir.

**Rahul Mithal:**

Good morning. Thank you. Let me begin with the safe harbor statement. The presentation and the press release, which we uploaded on our website yesterday and 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 thank you, and let me give you a brief overview of where we started the year and where we ended up. The two huge challenges, as you all have been following us quarter-on-quarter were the order book on export below INR100 crore at the beginning of FY and the impact of the change dynamics in the QA business, which was to start hitting us from Q1 of FY. So we were very clear, we wanted to take the challenge head on. We had a 3-pronged strategy to tackle and minimize the impact of these 2 huge challenges. The first one was to try aggressively and get at least one export order, which we had not got for the last 4 years and we got 2 orders of INR1,200 crore Mozambique plus Bangladesh.

The second was to minimize the impact of the IR element in quality assurance business, which is about 2/3 of my quality assurance business and a huge margin contributor. So by end of the year, successively quarter-on-quarter, we managed to get a large number of non-IR clients and customers, wherein the ratio from 2/3 to 1/3 IR to non-IR has now flipped to about 50% plus on non-IR clients and getting huge orders like about

INR 67 crore from PM Vishwakarma Scheme and getting orders from the GeM Portal etc.

The third was to maximize the project consultancy revenue to minimize the impact of the QA revenue. And that too saw a substantial 10% jump year-on-year. In fact, the total consultancy revenue (consolidated) reached a figure of about INR1,300 crore, which is an all-time high, which was a huge satisfaction to us because it is moving in the right trend and could help minimize the impact of the 2 challenges.

So in a nutshell, the direction which we had set out in the beginning of the year, we are moving sequentially in the right direction. And having set a platform in the last 2 quarters, especially in terms of the exports orders coming and the diversification in the QA business, we are sure that the coming FY, we will definitely build up aggressively on this base and give you a much better set of numbers, especially in terms of the EBITDA and the bottom line.

So that's a brief overview. And as we go into specifics, we'll go into specific numbers and the way forward. We can start taking the questions one by one,

**Moderator:**

First question is from the line of Shreyans Mehta from Equirus.

**Shreyans Mehta:**

So my question pertains to the margin profile. So now that we've moved more towards the competitive base and large part of our orders, be it international or even in domestic are on a competitive bidding. The margins this quarter were much better over last 3 quarters. So can we take this as a benchmark or take this as a guidance going forward as well?

**Rahul Mithal:**

I think yes, if you see the sequential trend of margins, and you're correct that both in terms of international business, these 2 export orders were global tenders for the first time, maybe in the last 4 decades, these are global bidding orders, which we got. And even in the consultancy and the QA business, the margins are definitely tougher.

In spite of that, if you see the Q4 has kind of stabilized at a good margin level, both in EBITDA or PAT, while it is lower, definitely Y-o-Y. But to my mind, we would aim moving forward to keep both the EBITDA and PAT margins at this level, it will be tough to maintain. But yes, in terms of absolute EBITDA and PAT, we are aiming for a finite appreciable growth. In terms of Margins, yes, we will try to defend them or protect them to as close to these levels as possible.

**Shreyans Mehta:**

Got it. Got it. Got it. Sure. And sir, on clarity on export orders, can you give the number in terms of how much we've received in terms of LOA and how much is in L1, which is not a part of the current order book of Q4?

**Rahul Mithal:** So the 2 orders, which we got were INR300 crore from Mozambique, which is part of the INR5,700 crore order book of 31st March. The INR915 crore order of Bangladesh came in April. So we have not added that to the order book. But now that's also a finite order and a contract agreement has also been signed. In fact, all the work already has started in aiming to try and push the manufacture and export by latter part of this year. So the revenue realization starts happening.

**Moderator:** The next question is from the line of Yash Gupta from Think Site Advisory

**Yash Gupta:** Sir, my question is on exports. How export is looking out? We won some of the contracts last week and some last quarter also. So how the export order book looks like? And whatever realization we can have in FY '25?

**Rahul Mithal:** Yash, you see international business under RITES Videsh initiative has 2 elements. One is export of rolling stock and one is international consultancy. As far as export of rolling stock is concerned, these 2 orders in the last few months, INR300 crore plus and INR900 crore is a good step after a gap of 4-plus years. This INR900 crore from Bangladesh is for 200 coaches and INR300 crore from Mozambique, is for 10 locomotives. So by nature of their production cycle, coaches take a lesser time. And since the revenue realization happens only when we ship them, we are aiming to try by Q3, Q4 to start getting some revenue flowing from coaches and aiming to try and get some from the locomotives also.

In terms of further opportunities, we are bidding for a number of global tenders. And we are hoping that this trend of getting export orders on a competitive mode would continue in the coming quarters.

In international consultancy, we've got some recent breakthroughs. We have also opened recently our offers in the Middle East in UAE and looking for some opportunities there. Southeast Asia, there are a lot of opportunities, Bangladesh, Sri Lanka, et cetera. In Africa, in any case, we have a stronghold in a number of sectors. I think international consultancy also, both in terms of fresh orders as well as the existing order book giving revenues in the next 2, 3 quarters, we see a healthy trend.

**Yash Gupta:** Okay, Sir, on the margin side, this -- or the orders which we have received recently, the margins are on the same page of 20% to 22% or any difference, major difference?

**Rahul Mithal:** See, every order would have a different range. But as the fact, both orders were global tenders. These are not line of credit Exim Bank funded tenders where the competition is only among Indian companies. Once they are global tenders funded by different multilateral funding agencies or the country itself, they have tighter margins. As a whole, whether it is export of rolling stock or international consultancy, which also we

are now getting a number of orders, which are not funded under the line of credit Exim Bank and they are obviously on an international bidding methodology, Our overall margins are getting tighter in international consultancy as well as export.

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

**Parimal Mithani:** Sir, congratulations on your consultancy revenue growing to INR1,300 crore. Sir, I just want to update on REMCL going ahead, how do you see the business? And secondly, sir, second question is in terms of quality assurance, do you think the worse is behind us for that business?

**Rahul Mithal:** Thank you, Parimal, for your encouraging words. And let me tell you, for REMC, this has been a hugely satisfying year. The revenue, if you look at the entire year, jumped by 30% plus it was the highest ever revenue. The PAT jumped by plus 37% plus. And we gave a huge dividend of about INR 80 crore, and RITES got about 51% of it. So dividend payout ratio was about 99%. In terms of performance, REMC has really looked up and doing well. The trend has been maintained even sequentially and I see this trend continuing. In terms of specifics also the RTC tenders, the first PPA of 900 megawatts was signed. The second LOA for 700 megawatts RTC tenders is issued. There have been initiatives under the solar power plant Bhilai getting inaugurated under the developer mode. In terms of both the conventional work of REMC of supply of electric traction power as well as work on the net-zero renewable initiatives, REMC is moving in the right direction.

In terms of QA, I can say with full confidence and sense of responsibility that the challenge that we took on head on at the beginning of the FY where the impact of the changed dynamics started hitting us from Q1 and by the end of Q4, there has been a huge shift. As I said, started from 2/3 of the contribution traditionally being from IR as a client by the end of Q4, it has changed over that more than 50% to 55% is non-IR clients. We have got some interesting orders across spectrum, whether it is defence, whether it is power distribution, discoms, whether it is the sewage or urban infra or water or PM Vishwakarma quality checks order of INR 67 crore for the tool kits being supplied. We've also got an order from the GeM for vendor evaluations, which is about INR 14 -15 crore. So in terms of the rapidly diversifying portfolio of the QA business, we are more than confident that we are out of the woods.

**Moderator:** The next question is from the line of Viraj from Jupiter Financial.

**Viraj:** Congratulations on the good number. And my question is regarding exports, can you give some more color, you talked about INR900 crore Bangladesh order? So how would the revenue plan out in the mix? How much will come in this year, next year? If you can just explain to us?

**Rahul Mithal:**

You see the two orders of INR300 crore of 10 locomotives and INR900 crore, 200 coaches of Bangladesh, in terms of timeframe, the coaches are quicker to make and we recently on 20th May signed the formal contract agreement also. So now the final designs and approvals are underway and we will start production of the prototype and manufacturing very soon in a month or so.

Bangladesh is also in need of these coaches urgently. So there is a joint effort from us, Indian Railways and Bangladesh Railways to try and push manufacturing of these coaches at least 1 or 2 racks at the earliest. It's a mix of 8 types of coaches. So in the most conservative scenario also at least latest by Q3, Q4, some revenue realization must start happening.

In terms of locomotive, these require a longer time frame in manufacturing. So while the efforts will be on to realize some revenue by end of the FY, that's a huge challenge, which we'll try and see what best can be done as the months span out.

**Viraj:**

Sir, a follow-up to this is. This order book is executable in how much time like 3 years, 2 years? And what will be the time of execution of the order book or export order book?

**Rahul Mithal:**

See, both have time frames ranging from about 2.5 to 3 years. So that's the contractual milestones as per the contract agreement. But since we have got these orders after a long gap and we've already seen the impact, which not having an export has had on our revenues and margins on FY24. So our aim, jointly along with this client, would be to try and complete these 2 orders at least in 2 years as far as to the maximum.

**Moderator:**

The next question is from the line of Shreyans Mehta from Equirus.

**Shreyans Mehta:**

So just wanted to know the status of the Zimbabwe order, which we had announced last year.

**Rahul Mithal:**

Yes. Zimbabwe, if you remember, was an agreement signed, a contract agreement signed with National Railways of Zimbabwe for the locomotives, coaches and wagons. But it was subject to their funding getting in place. We have constantly been in touch with them and our teams have been working together.

They have moved forward post their new government also coming in place of getting the fundings moved ahead with the Exim Bank and other players. I would say that they're moving in the right direction, and we are very keen that they convert it into a formal LOA, so that we add it to our order book and start manufacture. But as of now, the only thing which I can say is that it is moving in the right direction, slow and steady, but we are hopeful that it should get matured into something in the coming months.

**Shreyans Mehta:** Got it. Got it. Got it. Sure. And sir, lastly, in terms of guidance, in terms of top line, if you can guide us for this year and next year as well?

**Rahul Mithal:** See, both with these orders coming as well as us maintaining a trend of being a one order a day company. Q3, we achieved a milestone of being one order a day company, and we maintained that in Q4. We got 100-plus orders totaling to INR940 crore. And the way the trend is, these orders both export and consultancy orders, which we have been getting across sectors, I think we are confident that the FY24, which is a year of consolidation. And as I said at my opening comments, moving sequentially every quarter, we have consolidated and hung on and packed-back the challenges and minimize the impact. So I think FY25, we are confident that you will see an appreciable growth in the EBITDA and the profit vis-à-vis FY24.

**Shreyans Mehta:** Sir, any number for top line, say, 15%, 10% any number you would like to assign, sir?

**Rahul Mithal:** I would not like to speculate in specific numbers. It's early on, but I can say with confidence that we are a bottom line-driven company as I always have been saying in my previous interactions. And my EBITDA and profit, you should see a healthy growth vis-a-vis '23-'24. As you can see from the mix of orders and the number of orders which we are getting, even though with tough margins, but even if you compare Q4 vis-a-vis Q3, there has been a growth in EBITDA, there's been growth in PAT margins, there's been a growth in consultancy margins, there's been a growth in PAT. So with this trend being maintained, you would see in terms of year-on-year, definitely a substantial growth in EBITDA and PAT.

**Moderator:** The next question is from the line of Vinod C from PhilipCapital.

**Vinod C:** So see, what we hear from some of the Rail EPC players is that the ordering pattern is shifting in railways, where earlier they used to get orders from the Rail PSUs. Now they have started getting -- they have to deal with this Zonal Railways now. Since you also undertake Turnkey projects, I just wanted to hear your thoughts on this. So what's actually shifting in the railways now in terms of the way the tendering happens?

**Rahul Mithal:** You see, as far as rail infra is concerned, majority of our orders are consultancy orders. If you see the order book profile, breakup of our order book, except the erstwhile 3, 4-year old orders of the turnkey from Indian Railways as a client, all our orders on the turnkey mode are primarily in institutional buildings, et cetera and some of them in other areas like we've got one in station development, Ayodhya station on a cost plus turnkey mode. But primarily, we are dealing in consultancy with IR as a client, as a project management consultant or as DPRs or in terms of FSRs and certain alignment surveys, et cetera.



in terms of that, we don't see any change. Our core strength is in consultancy. And in the last year or so, also, we have continued to get orders. Yes, the change, which happened about 2.5 years back in terms of nomination vis-a-vis competitive mode. That is the major change, which has been there for about 2, 2.5 years.

**Vinod C:** Correct. Correct. Because the EPC players are mentioning that since they have to deal with the Zonal Railways, their receivables are taking longer to realize and does much better with the Rail PSUs earlier when the payment used to be more timely compared to what IR..

**Rahul Mithal:** We are not an EPC player, we are a consultancy company. So I don't think that even if, there is a change in that, it's not really affecting our business model.

**Moderator:** The next question is from the line of Shubham Salar from IDBI Capital.

**Shubham Salar:** Sir, in terms of our consultancy order book of INR2,600-odd crore, what is the split between non-IR and IR?

**Rahul Mithal:** You see INR2,600 crore has both in terms of QA business and across various sectors. So I can give you a total in terms of numbers, INR2,600 crore has about 700-plus orders covering all my 13 verticals. And IR as a client has orders of different types in this. It has some on consultancy. Some, as I said, on QA. So it would be, just say difficult to give you a number on that, which is not giving a clear picture.

In terms of rail infra sector, if you see, rail infra sector is one of my 13 verticals. For rail infra, consultancy or project management consultancy that we do, we have 2 types of clients. One is Indian Railways as a client. And one are the other, whether it's the SAIL or the Coal India subsidiaries or a subsidiary or even private clients like Ultratech, Jindal et cetera. So in terms of rail infra, it covers about 200-odd orders out of a total number of 700-plus orders that I have. So that will give you an idea that rail infra is an important, very important player in my total order book.

**Shubham Salar:** Okay. And one related to that. In consultancy, you did mention in terms of execution, the split between IR and non-IR is 1:1. That is for FY '24? Or is it for this quarter, sir?

**Rahul Mithal:** No, no, that I mentioned in terms of the QA portion of consultancy. You see the quality assurance business or revenue is part of the overall consultancy pie. So the change in the dynamics at the beginning of the FY where we were for about 40 years plus doing all the QA work of Indian Railways, that has now opened up to a competitive mode between 4 players. So at the beginning of the FY this rough breakup of QA business was about 2/3 for IR as a client and about 1/3 for other non-IR clients, which by the end of the year in terms of numbers and volumes and revenue has now flipped to about 50% plus non-IR clients and the balance as IR business.

**Shubham Salar:** Okay. And then this particular number of 1:1 QA. So is this 1:1 is something that is kind of bottom or probably the shift is still happening and that will for the...

**Rahul Mithal:** It will continue. As I said at the outset, this trend has been continuing sequentially. Our efforts to garner more clients have gained ground. I gave some examples of non-IR clients, huge orders, which have come recently in the last 3, 4 months. We got a recent first international consultancy QA order for Sri Lanka.

So this trend is going to continue. Our effort is to increase the total pie as well as have as many varied clients, as we recently got an order in the health infrastructure department of Haryana, urban infra for inspection Rajasthan. So in terms of the trend, this trend would continue.

**Moderator:** The next question is from the line of Viraman from JM Financial.

**Viraman:** So firstly, I wanted to ask, what was the reason for the steep decline in export sales this quarter?

**Rahul Mithal:** Yes. We had an opening order book of export at the beginning of the FY of below INR100 crore, it was about INR99 crore. And there was no fresh order of export, which we received in the last 4 years during the COVID and the pre-COVID. We were servicing those 2 orders, which we had got prior to COVID. One was Sri Lanka and one was Mozambique that we started servicing in the FY '21-'22 and '22-'23. By the end of FY '23, we were left with no orders. And as these countries' economies were stabilizing post-COVID, they were still arranging funds to get an and float new tenders, et cetera, for import of rolling stock. So last year was the first year where we saw opportunities coming up for fresh export opportunities and then that's how we bid aggressively for them, and we've got these 2 orders in the last few months.

**Viraman:** So you expect to recognize revenues from the Bangladesh and Mozambique orders in the second half FY '25, is that about right?

**Rahul Mithal:** Yes, for sure. Between the two, the coaches, as I said, have a lesser time of manufacture. So they would be easier to push and try and get some revenue by end of the FY. And locomotives will try, but definitely by early next FY, they'll contribute substantially to the revenue.

**Moderator:** The next question is from the line of Viraj from Jupiter Financial.

**Viraj:** My question is, sir, since we have considered it probably on the growth part. So would we be maintaining the same dividend policy in years to come?

**Rahul Mithal:** Yes, Viraj. I can assure you that our business model, which we have been talking about more than a year now that we are not going to change 2, 3 of our basic models. One, we are a debt-free company. Two, we are a low capex company. Our capex will always be in the range of INR100-odd crore, INR130 crore to INR140 crore, as you see from the trend. Three, we are not going to be a construction company. Our core strength is consultancy. So we'll try and see how best we can make EBITDA growth and remain a bottom line-driven company. With this clarity and stability and clear direction and vision of our company business model, I don't think that you should worry about in terms of trying to give the best to our shareholders.

Our dividend payout ratio has been 95.2% for FY24. And as we grow and as we aim to grow in both our EBITDA PAT, we will continue to give our best to our shareholders.

**Moderator:** The next question is from the line of Yash Gupta from Think Site Advisory.

**Yash Gupta:** Sir, just want to check on the Chabahar port that recent agreement has been done by the Indian government. So are we looking for any export consultancy into it?

**Rahul Mithal:** As of now, we're not part of any specific order or work there. But definitely, all over the international consultancy business, as I mentioned, we opened a recent offers in UAE and looking for pursuing a lot of opportunities which are coming up in the Middle East, UAE, Saudi, Qatar, Oman et cetera.

So in terms of diversifying from our erstwhile geographies of international consultancy in Southeast Asia as well as Africa, we started Latin America last year. We've got orders in Guyana, which we are getting good revenue from. And we are now targeting the Middle East also. So I'm sure that we will continue to look out as opportunities if they come up in the future.

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

**Uttam Kumar:** Congratulations on good set of numbers. Sir, my question pertains to Consultancy business. So this quarter margin is around 45%. Is this sustainable moving ahead?

**Rahul Mithal:** Yes, Uttam. I think you see in terms of the margins in consultancy, consultancy has 2 elements to it. One is the project consultancy and one is the quality assurance business of consultancy. As I explained, the quality assurance business now being on a competitive mode, all the orders that we are getting, including the non-IR clients as to the competitive bidding. So obviously, erstwhile margins has taken a hit overall consultancy margins because of the QA contribution.

In terms of project consultancy also, both in domestic and international, most of the clients are now going through EOI or tendering more. So in terms of the shift from

nomination to competition, every quarter, there has been a shift in that. So yes, holding on to the overall margin is a challenge. But as you see the trend also in Q4, we've been able to hold on to on a consolidated basis, EBITDA margins of about 27% plus; PAT margins of 20% plus.

And consultancy margins have been in the range of about 45%, now on a consolidated basis. So there has been a mixed bag while we are aiming at execution of a certain high consultancy margin orders, the orders which we are getting are at a tighter margin. But in terms of trying to defend these margins or hold on to these margins as close to these levels, the effort would be continuous.

**Moderator:** The next question is from the line of Shubham Shaler from IDBI Capital.

**Shubham Shaler:** Regarding the Bangladesh order, what is the total number of coaches or rates that we are supposed to supply in this order.

**Rahul Mithal:** So this order is for 200 coaches, totalling to about INR915 crore, \$111 million. And it has 8 different types of coaches, both non-AC and AC. They will take these coaches, ideally in a mix of different types and rates.

**Shubham Shaler:** Okay. On the 200 coaches that we are supposed to supply, as per the agreement, what are the terms and terms of supply in FY '25-'26 number wise?

**Rahul Mithal:** You see, the order is in terms of the total supply over a period of 2.5 years. So that is the time frame for total supply. It is in our interest as well as Bangladesh Railways' interest to supply earlier. They have a huge requirement of coaches immediately. So we are trying to see to expedite the supplies as early as possible to realize the revenue in this FY.

**Shubham Shaler:** So is this 2.5 years for 200 coaches, or it is on cases in terms of in 12 months in this number and the next 24 months?

**Rahul Mithal:** This was the total. The contract says total. There's no intermediate milestones for suppliers.

**Moderator:** The next question is from the line of Viraman from JM Financial.

**Viraman:** Just have a couple more questions. So I think during the last call, you said that you want to increase the ticket size of orders, especially in consultancy. Any guidance as to what percentage increase in the average ticket size we can expect this year for consultancy orders?

**Rahul Mithal:**

Yes. So if you see the trend first in terms of numbers, is that we got 100-plus orders totaling to INR940 crore in Q4. So the trend of one order a day in terms of numbers has continued from Q3 to Q4, and we are aiming to maintain this trend in this FY also.

In terms of total orders also consultancy, if you look at last year, out of the total fresh order that we got about INR2,200 crore, about INR1,200 crore plus orders was consultancy, which is about 55%, 58% odd. So in terms of number and total value, the orders of consultancy have been showing an upward trend.

But in consultancy, there is a range of orders from a few lakhs, few crore to a higher range double-digit orders. So it depends on the works, in the quantum and the scope of work. The aim, that's why is to have an optimum mix of both low-value and high-value consultancy order so that both in terms of total values and total numbers, there is an appreciable growth.

**Moderator:**

The next question is from the line of Viraj from Jupiter Capital.

**Viraj:**

Sir, how will be the margins on the export side, which is the competitive bidding coming in terms of EBITDA and net what be your margins on the export. If you can throw some light on that?

**Rahul Mithal:**

The margins will definitely be much, much tighter than the era where we used to get orders under the line of credit funded projects. So these are orders on a global tender where we are competing like the coach tender, the toughest competitors across countries who are the major coach manufacturers in the world. So obviously, getting orders like that, the margins are tougher.

Each of these orders have different margins and our aim will be to even improve upon the margin even against the one that we bid for by earlier execution. So that's why even though these orders have a longer time frame in terms of the contractual requirements. It suits us both in terms of revenue realization as well as optimization of the cost to execute them at the earliest and optimize margin.

But fact that getting these orders on global tenders, the margins will be much, much tighter than the erstwhile export margins, which were in the range of 20%, 25%.

**Viraj:**

So will it be still double digit in the double-digit space, I would assume that it's correct to assume that, sir?

**Rahul Mithal:**

The margins would be different on order to order. What you should look for is in terms of getting good EBITDA and PAT at the earliest from each of these orders.

**Moderator:**

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

**Parimal Mithani:** So I just wanted to update in terms of your leasing business. Can you talk for the lifetime, I think the scope of opportunity has been going at a really much larger now?

**Rahul Mithal:** Yes. Parimal. In fact, leasing business, what is the interesting thing is that both in terms of the growth and opportunities and trying to hold on to its margins. I'm saying that in spite of one interesting development in leasing, which is like other sectors of my revenue also. But given the leasing sector has started opening up to competition from players now. And with this, we have optimized our resources and try to get more orders.

We have been getting fresh orders continuously in this business. And that is why by optimizing the execution of this by optimizing the cost, we could improve upon the leasing margins. And in the coming year, you will see also trying to get at higher revenues and more opportunities and more clients in the leasing business.

So this has huge potential, and the requirement across the prospective clients has been increasing. Number of new clients, both in the private and public sector have been approaching us. And we are moving in the right direction in expanding our client base in the leasing business.

**Parimal Mithani:** So is it fair that there will be a faster growth in leasing business going ahead and with good margins?

**Rahul Mithal:** Good growth and good EBITDA. Margins may be tougher to maintain because now the competition is opening up, more in that. There were players, but there are more players jumping into it, looking at the huge opportunities as more and more power plant, cement plant, ports, steel plants, et cetera, including private players coming in these sectors in a big way. The opportunities are huge in this. So more players are jumping into it. So we would aim to get more orders, more revenue and more EBITDA. Margins may be a little tougher to maintain in the long term.

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

**Uttam Kumar:** Sir, what is our executable time line for the Turnkey projects? We have got around INR2,500 crore in Turnkey projects. So what was the executable time line for these 23 projects?

**Rahul Mithal:** See, Turnkey, by nature on average take about 2.5 to 3 years on an average. Some may take more. We are taking a limited turnkey projects. In fact, if you see the fresh orders in our turnkey have been only in the range of about INR500-odd crore in the last FY. We take very limited fresh orders in turnkey segment.

So by and large, the orders that we take in the turnkey scheme are areas where there is no major hindrance, no major obstacles in moving our hands in the execution. So with that, I would say, a rough time frame of about 2.5 to 3 years. So this order book of about INR2,500 crore would mean roughly about a 3-year window, even if there is no addition, with the existing order book.

**Uttam Kumar:** And the margin will be saying, sir, around 4% that we are closing this quarter? Is it sustainable for the Turnkey projects also?

**Rahul Mithal:** Turnkey business by nature have a margin ranging from 3% to 4%.

**Moderator:** The next question is from the line of Viraman from JM Financial.

**Viraman:** Just one more question. So I want to know what is your competition, both domestically and internationally? And any idea of the market share of consultancy for Indian projects that we have?

**Rahul Mithal:** Yes. Interestingly, we can say with confidence that in the infrastructure consultancy business, we are maybe the only Indian company, whether in the PSU space or private space, which has all areas of infrastructure consultancy, except maybe oil and natural gas under one roof. We have 13 different verticals doing infrastructure consultancy across Airports, ports, highways, metros, rail infra, et cetera, buildings and all possible areas of infrastructure.

So each of my vertical has different competitors. Some may be common because they may be doing more than 1 or 2 verticals. But I don't see any single player in the PSU or private space who can compete with us overall, which has this entire bouquet covering all areas of infrastructure.

**Moderator:** The next question is from the line of Yash Gupta from Think Sight Advisory.

**Yash Gupta:** My question is on order book of consultancy. Sir, if you look at last 3, 4 years, our consultancy order book is ranging from INR2,500 crore to INR2,600 crore from last, I think, 3 years. Sir, when we are looking for the next leg of growth into it, like by revenue next 2, 3 years, we can reach INR3,500 crore?

**Rahul Mithal:** You see consultancy orders, by nature, are small in ticket size. Primarily the largest orders which you get in consultancy are project management consultancy, where you get a percentage of the total infrastructure cost, say, 1% of INR1,000 crore. suppose, you get 1% of that as a project management consultancy.

So in terms of the number of orders, as you've seen, there has been a growth, and we've got the trying to get and maintaining a one order a day. Now in terms of ticket

size of these orders, obviously, the ticket size needs to grow in a much bigger way to be able to jump substantially above this INR2,500 average crore of order book.

What can be definitely aimed at and what we are aiming is that while trying to get some bigger ticket size orders, the aim is to get more and more orders and faster execution. So you may find that the order book in terms of number at the end of the quarter in total value may not see a bigger change because also our growth in consultancy revenue, as I said at the outset, has been the highest ever in this FY.

We've seen a growth in 10% in the project consultancy revenue. So our aim is to get number one: orders while the effort to get higher ticket size orders, but also to execute faster the consultancy order so that the revenue realization and our positive effect on our EBITDA margin is in a much bigger.

**Moderator:** The next question is from the line of Viraj from Jupiter Financial.

**Viraj:** Sir, my question is since we have considered probably on the growth phase now. Is it fair to assume it will be back to your days of 2010, 2013 where the net margin in a range of 25% and having 15% top line growth?

**Rahul Mithal:** Viraj, what we will definitely aim is, as we have consolidated one of the toughest year this year and taken the challenge head on. And as you've seen sequentially, there has been a movement in the right direction based on our strategy, which we laid out at the beginning of the year. Our aim for FY '24-'25 will be to give you a substantial and a healthy growth in the EBITDA and the profit because that is what our aim is rather than just giving you a 15%, 20% growth in revenue and not being able to give you a growth in EBITDA and profit.

So our entire strategy, whether it is in terms of getting fresh orders, whether it is in terms of cost optimization, whether it is in faster execution of our existing consultancy order book, or our export order book, it is to try and see a healthy growth in the EBITDA and profit, and that is what we are aiming for FY '24-'25 vis-a-vis '23-'24.

**Yash Gupta:** So a follow-up to this, I think you commented that we are considering probably on a growth path. So do you see visibility across the sector in terms of order book, what are coming in and the feeling is much more better than the last year, is that so? Since you commented that probably we are seeing some growth ahead. So can you just give some color on that would be helpful.

**Rahul Mithal:** Yes, for sure. When we started the FY, we were at the rate of about 0.7 orders a day. We have set a target that by end of the year, we would reach being a one order a day company. As you remember, we reached one order a day company in Q3. We maintained that in Q4. We got 100-plus orders in Q4 at INR940 crore. The trend of this



year also has been healthy. We are continuing to tap on the various infrastructure sectors.

So if you see, just to give you an example, in the last few months, as I said, we got a ropeway order in the Northeast. We got airport orders in Orissa. We've got orders for IIT Bhubaneswar. We've got a tunnel order in J&K, highway order in Maharashtra. So across sectors, we are seeing a healthy trend. And we are confident that on an average basis for this coming FY, we should be able to maintain this trend of one order a day while trying to get bigger ticket size orders also so that in terms of value also, the entire order book sees a substantial growth.

**Moderator:** The next question is from the line of Prashant from ISJ Securities Pvt Ltd.

**Prashant:** May I know the current order book as on today? And what is the breakup of order book?

**Rahul Mithal:** Yes. The order book as of 31st March is INR5,700 crore. Consultancy is INR2,600 crore. Turnkey is INR2,500 crore. Export is the order of Mozambique, which is about INR300 crore, and the balance leasing and subsidiary, et cetera, is INR300 crore. We haven't added the Bangladesh order of INR900 crore, which came in April. So this is an add-on over the INR5,700 crore, which was there on 31st March. And besides the other orders which we are getting in Q1 of this FY.

**Moderator:** As there are no further questions from the participants, I now hand the conference over to Mr. Mudit for closing comments.

**Mudit:** Thank you. We would like to thank Sri Rahul Mithal, Chairman and Managing Director; Shri Arun Kumar Singh, Director Projects; Dr. Deepak Tripathi, Director Technical; and Shri Krishna Gopal Agarwal, Director Finance, for giving us this opportunity to host this call. We also thank all the investors and the analysts for joining this call. Any closing remarks, Rahul sir?

**Rahul Mithal:** Thank you, As I said at my opening remarks that we are happy and encouraged and confident by the way we stuck on and consolidated and moved on the right track in the strategy that we had laid out at the beginning of the FY and we took the challenges head on. Having built up on that sequential we see a good trend this momentum continuing in the coming FY.

We recently, in the month of April, we completed 50 years. And we feel proud that today the as we touch 50, a milestone, we are still on a positive momentum and having achieved the Navratna Status also a few months back.

Our 2 core strengths, which have been there for 5 decades, which we'll leverage on. One of our strengths is the core expertise in core design, engineering design, which we will continue to leverage on under our initiative. And the second is our international presence, whether in export or project consultancy under the RITES Videsh initiative. So these 2 pillars will be the key focus as we leverage this momentum on the coming FY. Thank you.

**Moderator:**

On behalf of Elara Securities Private Limited, that concludes the conference call. Thank you for joining us, and you may now disconnect your lines. Thank you.

**-End-**

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