



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

No. RITES/SECY/NSE

Date: February 08, 2024

To:  Listing Department, National Stock Exchange of India Limited 'Exchange Plaza', C-1, Block G, Bandra - Kurla Complex, Bandra (E), Mumbai - 400 051	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 nine months ended 31<sup>st</sup> December, 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, February 02, 2024 to discuss the Financial Results of the Company for the quarter and nine months ended 31<sup>st</sup> December, 2023.

You are requested to take this information on record.

Thanking You,

Yours faithfully,

For RITES Limited

**Nikhil Agarwal**

**Company Secretary & Compliance Officer**

**Membership No.: A42626**

**Transforming to GREEN**

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**CIN: L74899DL1974GO1007227**



# “RITES Limited Q3 FY-24 Earnings Conference Call”

February 02, 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. HARSHIT KAPADIA–ELARA SECURITIES PRIVATE LIMITED

**Moderator:** Good morning, ladies and gentlemen. Good day and welcome to the Q3 FY24 Earnings Conference Call of RITES Limited 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 "\*" 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, sir.

**Harshit Kapadia:** Thank you, Aditya. Good morning everyone. On behalf of Elara Securities, we welcome you all for the Q3 FY24 and Nine Month FY24 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. A K Singh – Director Projects; Shri. Deepak Tripathi, Director Technical and Shri. K. G, Agarwal – Director Finance.

We will begin the call with a brief overview by the management followed by Q&A session.

I will now hand over the call to Rahul, sir for his opening remarks. Over to you, sir.

**Rahul Mithal:** Morning everyone. Let me begin with the Safe Harbor Statement:

The presentation and the press release, 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, let us break down the Q3 numbers:

If you compare Y-o-Y the revenue has been flat, profits have dipped by about Rs.18 crore and the hit has been by the two identified areas about Rs.25 crore from the export stream of revenue and about eight crore from the inspection stream of revenue. which, as you are aware due to changed goalposts now. croreIn line with our efforts and push to maximize the project consultancy stream of revenue to minimize the

impact of these two streams the YoY, the project consultancy revenue saw a growth of 21%.

And what we are happy that the challenges and the strategy that we identified at the beginning of this FY to counter these two impacts to the maximum and minimize that impact have seen a steady growth sequentially in line with our strategy.

And if you compare sequentially, all the areas whether revenue Q2, Q3 has gone up by about 20%, EBITDA has gone up by 30%, PAT has gone up, margins have gone up by about 2% and project consultancy has continued to grow, so sequentially also it has grown by 5%.

So, this is in line with our direction, consolidating our position in this FY. And the biggest, the happiest moment for us was when we got the first export order after a gap of four years. So, that also now will start generating revenue. And finally, we can be proud to say that we are now a one order a day company. In quarter three, we got +100 orders totaling +600 crore. So, our immediate target of being a one order a day company is now in place.

And with this, I think consolidating our position moving forward, will only see further improvements sequentially also. So, with these opening comments, I leave the floor open for questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Yash Gupta from Thinkside Advisory. Please go ahead.

**Yash Gupta:** Sir my question is on the consultancy margin, in the last four, five quarters we have seen a volatility in the margin, in this quarter also we saw a dip in consultancy margin, what's your outlook for next financial year FY25?

**Rahul Mithal:** Yes, Good morning Yash. See in consultancy, all the streams of revenue contributing to the consultancy revenue including the inspection revenue, all of them opening up to competitive bidding and we aggressively bidding and getting orders as I mentioned at the outset, as I said more than +100 orders we got in this quarter, yes, definitely margins will be difficult to maintain at the historical levels even within the consultancy stream and also overall the EBITDA margins, including in each of these sectors. So, while these margins will continue to be difficult, as I said to secure the historical levels, but yes, considering that we are now getting more and more orders and increasing our order book, as you see our consultancy order book has also remained healthy, our aim

will be to maximize the orders in the consultancy wing, continue with their effective execution so that you see actual growth in EBITDA, in profit while securing margins to an appreciable level.

**Yash Gupta:** We can say that consistency margin will be around to be 22 to 25 level or below 42%.

**Rahul Mithal:** You see overall we have a blended mix of revenue and our aim will be that overall our EBITDA margins we will be aiming for anything above +20%.

**Moderator:** Thank you. Next question is from the line of Viraj from Jupiter Financials. Please go ahead.

**Viraj:** My question is, we are still in international consultancy what is the reason for that?

**Rahul Mithal:** See international consultancy, I agree Viraj that the revenue realization of international consultancy has been slightly low in this quarter. However, orders have started flowing in and the way we have bid across a number of geographies in international consultancy, I'm sure that they will start generating revenue maybe about two quarters henceforth. So, in the coming FY, you will see a growth, both not only in the international consultancy contribution to the revenue as well as, as I said at the outset the export order, which has now coming, we have got Rs 300 crore order to start generating revenue next year.

**Moderator:** Thank you. Our next question is from the line of Shreyans Mehta from Equirus. Please go ahead.

**Shreyans Mehta:** Sir my question was pertaining to the export orders. So, as you see, we have just converted partial of our L1 into the firm orders. So, when can we see the larger pie coming, converting into revenues or even into firm orders?

**Rahul Mithal:** No, see there were two different geographies one was Mozambique, which is the locomotive order, which we have got for 10 locomotives and locomotives are normally a longer lead area and while we are hopeful of pushing them, but they will definitely start generating revenue by latter part of the FY. The second case was where we are L1 for about 200 coaches amounting to Rs. 800+ crore at Bangladesh. We are hopeful that, that should mature into a finite LOA soon in the coming weeks. Coaches since take a lesser lead time, they to my mind will definitely start generating revenue quicker than the locomotives but, both combined as of now should definitely start generating

revenue in the coming FY, besides this we are pitching for a number of orders and bids for export across various geographies.

**Shreyans Mehta:** Sure. And sir any clarity on the Zimbabwe orders the rolling stock?

**Rahul Mithal:** The agreement, as I mentioned last time has been signed few months back, they are pursuing, getting their funding in place. They are moving in the right direction, we are also in closely in touch with them, they are getting the funding from the African Development Bank and all the necessary paperwork is moving in the right direction. And I'm sure that it should mature into a formal finite committed agreement very soon.

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

**Vishal:** Just one clarification, last time in the call you have mentioned that the two orders which is the Bangladesh is upward of 1500 and Mozambique is upwards of 500. So, just for clarification, so what I can understand like as per the release Mozambique is roughly Rs.300 crore that we have received, and Bangladesh is working out to be like Rs. 900-odd crore so is it like remaining part yet to be, the tender are yet to come out or this is firm like out of 1500 for Bangladesh we have got 900 and similarly for lower for Mozambique. Is that the right way to understand?

**Rahul Mithal:** No, there's a slight difference, you can recheck the figures what we had mentioned last time was that, 1500 is the total export orders there's a visibility out of that the one order has converted into a finite order in agreement which is the Mozambique one. The Bangladesh one is in the final stages, where you have declared L1 which is totally ranging in about Rs.800 crore to Rs.900 crore which is what which should mature soon. So, these are things which are immediate visibility, we had mentioned a total pie of the visibility in the range of about Rs.1500 crore.

**Vishal:** Okay. So, is it that the pie still remains or probably that's all we can get from the Bangladesh and Mozambique as of now?

**Rahul Mithal:** So, that was including the orders which was in hand, and that has already we have now in quarter three if you see we have exported two locomotives and 10 coaches which has generated revenue. So, now what we see and if something more mature, we become L1, we bid for a number of locations, we will definitely inform you. One portion of the pie which was where you were declared L1 was the wagon order in Mozambique which was approximately about Rs.150 crore to Rs.175 crore to Rs.200

crore. And that was the one where while we were declared L1, but at the stage of finalizing the order they didn't give us the orders for various reasons. So, to that extent that out of 1500 that amount has gone down.

**Vishal:** Right. Maybe just one last thing, so these orders they are in built to us in USD and is it like FOREX and gain and loss that comes to our P&L or how it works?

**Rahul Mithal:** Yes, it comes to our P&L. So, the approximate figures in INR I'm quoting is approximately at the time of getting the order but obviously the revenue realization happens in USD.

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

**Viraj:** Sir with all the change coming online, what would be your guidance now?

**Rahul Mithal:** So, you see Viraj our main goal at this FY, was to number one, come as close to FY22-23. Number two, to get an export order to increase our consultancy order book have a growth in the project consultancy revenue and continue bidding aggressively while securing our margins to the extent possible. So, with all these as you see at the outset that I mentioned, they are moving in the right direction, what we are aiming is that, this FY we should come as close as possible to the last FY. In the coming FY these export orders will start generating revenue, these large number of consultancy orders that we are getting, will start generating more revenue and this push as you see in the project consultancy revenue which is happening sequentially also, with all this our aim is that next FY, our baseline will be FY22-23, not '23-24. And based on that baseline of '22-23, our aim will be to have a healthy double digit growth in the EBITDA and profits.

**Viraj:** Even the top line would grow at the same level or would be less than double digit?

**Rahul Mithal:** Viraj, as I have been mentioning earlier in my various interaction, we are bottom line driven company. And we will aim at double digit growth on the EBITDA and profit on our baseline of '22-23 rather than just focus on the top line, without giving you enough growth in the bottom line. So, the growth in top line will be governed by the strategy which is aiming to give you a healthy growth in the bottom line.

**Moderator:** Thank you. Our next question is from the line of Rohit Natarajan from Antique. Please go ahead.

**Rohit Natarajan:** Sir, I joined the call a bit late, probably I must have missed it. But if you could just touch upon the over and above the current export pipeline, what numbers are we looking at to finalize this year. Like will it be how many countries if you are talking to, can we make a ballpark statement like maybe \$100 million tickets that will be really helpful sir.

**Rahul Mithal:** So, if you have seen our figures for last two, three FYs our biggest challenge has been a sinusoidal revenue contribution of the export stream and that is primarily because about more than two, three years we did not get any orders. And more so, it was two years of COVID and one year after these countries were recovering, the economies were recovering from the COVID impact. So, now with the aggressive push that we have had for the last year, these have started generating results. As I mentioned the first order after a gap of nearly four years, we've got of 300 crore, we are L1 in the Bangladesh order which is about Rs.850 crore to Rs.900 crore and these two are the ones which are seem to be right away there, which will generate revenue in the coming FY. Besides this the opportunity are tremendous we have bid for a number of tenders across geographies in Southeast Asia, in Africa and aiming to penetrate the Latin American market also. So, moving forward, we see a healthy uptick in my export order book.

**Rohit Natarajan:** Just to confirm, I thought these are G2G orders where RITES become L1 because you have the Government of India financing. So, it should be a nomination.

**Rahul Mithal:** No, in fact both these orders which we have got, one order which we have got in Mozambique and one which we have declared L1 in Bangladesh. Both are funded by the parent countries in the Mozambique order it was funded by the Mozambique government and in the Bangladesh tender it has been funded by EIB. Both were competitive global tenders where we were competing with a very aggressive competitor base and these are all through complete global tender competition. So, these are not on the G2G basis. Even on cases where there are line of credit extended on G2G, they are through a tendering process floated by the Exim Bank where all Indian entities are free to participate. So, they are also through a tendering process rather than a nomination process.

**Moderator:** Thank you. Our next question is from the line of Rahul Jain from JM Financials. Please go ahead.

**Rahul Jain:** I just started covering the company and I had two questions. Are we the preferred consultant for all rail and transportation projects in India and secondly, what



percentage of projects going forward in the transportation and rail side, do you see RITES being a part of well, that's turnkey or consultancy?

**Rahul Mithal:**

So, let me first answer your specific question in terms of the preferred consultant. You see RITES is now in its fifth decade, we will complete 50 years in April, and I can say with full sense of responsibility that we are the only company in India both in the PSU or the private space, which does consultancy across all areas of infrastructure except maybe oil and natural gas. So, I have 13 different verticals doing consultancy in rail infra, airports, ports, highways, buildings, metro system, sustainability, city planning, et cetera. So, across all areas of infrastructure, we have been getting orders and as I mentioned at the outset, this quarter, we proud to become a one order a day company, we got (+100) orders in 92 days. So, we continue to get orders through competitive mode both in the domestic as well as the International sector.

The second part of your question was regarding turnkey and consultancy. So, we are very clear, we are a consultancy company, we are not a construction company. So, whether it is our order book, whether it is our strategy, whether it is our revenue, our aim is that the consultancy revenue, will always be about 50% upwards and it will continue to grow. Even the export of rolling stock that we do is not just export, we are not just a window for a trader, it is primarily consultancy design, sourcing as well as customizing the product for the client country. So, if you add that (+75%) of our revenue is aimed at consultancy.

**Moderator:**

Thank you. Our next question is from the line of Yash Gupta from the Thinkside Advisory. Please go ahead.

**Yash Gupta:**

Rahul sir just a small clarification, for FY24 we are saying that the top line will be same as FY23 and there is like double digit growth in the net profit. Is my understanding correct?

**Rahul Mithal:**

No, I think you got it wrong. What I was trying to say was, that the trends of nine months Y-o-Y we compare both in terms of top line EBITDA and the profits, we are aiming to be as close as possible to the 22-23 figures because there is hardly any contribution, number one of the export revenue and number two there is a major hit in the inspection revenue. While the efforts have been there, as you see 21% Y-o-Y growth in project consultancy but we will not be able to reach the FY22-23 figures either in terms of the top line or the EBITDA or profits. The aim will be to minimize the gap as much as possible. In terms of next FY, these export orders will start generating revenue, the large numbers of consultancy orders which we have been getting including the

most recent quarter, these will start generating revenue. So, our aim is that the coming FY we will build up on the base of 22-23 and that base we will aim to have a double-digit growth in the bottom line, the profits and the EBITDA based on the baseline of 22-23.

**Yash Gupta:** Okay, great. Sir one small thing on the turnkey, our turnkey this quarter is also roughly around 230, 240 crore for FY25 are we expecting some bigger change into this or we are expecting 250 crore of every quarter in turnkey?

**Rahul Mithal:** As I mentioned a few minutes back, we are a consultancy company, and the aim will be to maximize first the consultancy and the export revenue. To that extent we are not a construction company, so we take in turnkey projects also, we take primarily on a very strategic and consultancy kind of model where it is a cost-plus turnkey type of model. So, to that extent it will have a certain growth but in terms of total pie evened out over a period of few quarters we would aim to have it in the range of only about 25% net contribution in the overall revenue.

**Moderator:** Thank you. Our next question is from the line of Viraj from Jupiter financial. Please go ahead.

**Viraj:** Sir, I would like to know what will be our addressable market size in terms of this rail orders announced by in the budget as well as on the infrastructure side like, what percentage would be the 5% of the total order size or 2% or how much?

**Rahul Mithal:** So, the announcement yesterday of the large CAPEX push across infrastructure, we are very excited about it, because we have the advantage that we can leverage this CAPEX across sectors. So, whether it is the three corridors which have been announced in the rail sector, each one of them we are already have been working and we will continue to leverage whether it is the mineral cement corridor whether it is the port connectivity corridor and whether it is decongesting the high-density routes corridor. We are already doing a lot of surveys and studies and consultancy for semi high-speed corridors for the railways. We have a very strong tunnel bridge engineering and road & foot over bridge section vertical which will pitch in for the various entities. We already got a lot of orders in the recent quarters and will continue to leverage that as these corridors move forward. Similarly, across sectors, whether it is the metro sector there has been a lot of allocation in that, growth in the airport sector so we are doing a lot of work in the airports. So, across sectors, I see this as a perfect opportunity for us to further leverage and continue this trend of being a one order-a-day company.

**Viraj:** So, what will be the percentage like suppose one is to analyze that will be how much of the pie like, suppose 1 lakh crore is announced infra package, what will be the right addressable market size, would be 1%, 2% how much would be, just to add up with my understanding.

**Rahul Mithal:** The 11 lakh crore is a total CAPEX budget spread across sectors for each sector we do different types of work, somewhere we make the feasibility report, somewhere we make the DPR, somewhere we do the project management consultancy. To give an overall one percentage of the total pie would not be a fair assessment, what is definitely there is that the allocation across each sector. In fact the green mobility we have now recently started a green mobility vertical, the push on EVs and green mobility each one of them gives us an opportunity to leverage our vertical strength and you will definitely see this trend of one order a day stabilizing in the coming quarters moving forward.

**Moderator:** Thank you. Our next question is from the line of Sriharsha an Individual Investor. Please go ahead.

**Sriharsha:** Like recently there was a news article saying that the government is going to invest 1.25 lakh crore to build 200 ropeway projects in five years. So, I want to know what is the order prospects in this sector and what is the percentage of the order prospects in this ropeway project for our company?

**Rahul Mithal:** We can say with pride that, we are the oldest and the most accomplished consultants in the ropeway area in India. Any major iconic ropeway that you see in the country, RITES has been a consultant for it, whether it is the Vaishno Devi ropeway and across the country there are large number of ropeway which we have been a part of. Even now we are working on about 9-10 different ropeways, different stages some of them the initial feasibility report from the project management consultancy, in fact the next ropeway from Katra that also we are already working on. We are working on the Shillong ropeway. So, this announcement few days back, gives us a lot of opportunity which we will build up upon. Again to give you one ballpark percentage of the total pie will not be a fair assessment but yes, we come into the picture at various stages right from the initial feasibility, then maybe post feasibility or detail project report and then helping the client do the tendering, finalizing the executing agency and then the post contract consultancy, the execution consultancy, the project management consultancy. So, a blended mix of all these opportunities in a nutshell, it will give us a lot of scope to tap in, in this push in the ropeway sector.

**Moderator:** Thank you. Our next question is from the line of Shreyans Mehta from Equirus. Please go ahead.

**Shreyans Mehta:** Thanks for the follow up, sir our nomination based in terms of order book is closer to 74%. So, I'm just trying to reconcile whatever last orders which we have received are primarily on the competitive based, still the nomination is at 74%. So, can you just help me reconciling the same?

**Rahul Mithal:** It's 50-50. So, if you see this 50% is of the order book and this is primarily because a large number of turnkey orders which are higher value like the railway orders of the electrification, et cetera which were given to the PSUs a few years back, and where we started working and which are now reaching gradually their completion. If you break down the numbers and if you go down and see the fresh orders, which are coming for example as I mentioned in quarter three, we have got (+100) orders totaling to (+600) crore, the percentage of competitive versus nomination would be a wide skew from this, in fact it is roughly about 2/3rd, 1/3rd is the breakup in quarter three. The trend has been in every passing quarter moving more and more from the nomination to competitiveness basis, about quarter two it was around about 50 odd percent, 50% to 60% and every quarter it is moving forward becoming more and more on competition basis.

**Moderator:** Thank you. Our next question is from the line of Yash Gupta from Thinkside Advisory. Please go ahead.

**Yash Gupta:** One question on the India Middle East Europe corridor, have we started doing anything on it, any work on it?

**Rahul Mithal:** Yes, so this is a very interesting opportunity for us and we have been associated in making various plans and the possible opportunities, these are early days, but yes, we have been constantly associated with this and we will continue to be associated with this as this pans out in the coming years. So, this is our area of strength, we have our expertise in this both in terms of the location surveys, the alignment surveys, the designs, the rolling stock design, the port augmentation, the feeder route augmentation. So, while we are associated with this closely, we will continue to capitalize on this in the coming years as this catches up speed.

**Yash Gupta:** But we don't expect anything in FY25 maybe '26 or '27 only?

**Rahul Mithal:** I won't like to speculate, it may not be correct for me to speculate let's see how at what pace it moves, what I can only say that, we have wherewithal and we are already closely associated in all aspects of it, whether it be the rail infra, whether it be port augmentation, whether it is the logistic infra, whether it is a design or other consultancy. So, as it moves forward we will continue to capitalize on it.

**Moderator:** Thank you. Our next question is from the line of Rohit Maheshwari from TATA AIG. Please go ahead.

**Rohit Maheshwari:** First question is related to, from your export order book. What you have in hand, it seems that for the next two quarters your execution to export orders will be very low and then second half onwards it will pick up significantly, yes so my understanding is correct?

**Rahul Mithal:** Yes, very correct. As I mentioned some time back, the locomotives take a longer lead time to generate revenue, get manufactured and revenue realization happens when these are exported out from the port. So, that comes in one go, if one locomotive is exported the entire amount comes the day it is the bill of lading is made at the port. So, while you are correct that these will start generating revenue by latter part of the FY. The other one is where we have the coaches Bangladesh one where we are L1, we are hoping that it matures into a finite order soon in the coming weeks. And since coaches have a lesser lead time compared to locomotives, they would start maybe generating revenue a little earlier than the locomotives, but yes, next two to three quarters they would not be able to generate revenue and then they suddenly start generating revenue together maybe by latter part of the FY.

**Rohit Maheshwari:** Okay. Now related to this only, then I guess like for the next two or three quarters there will be some pressure on the margin side correct, because export orders will be low. So, they will be some 100 or 200 basis point impact on the margin for next two or three quarters?

**Rahul Mithal:** Yes, for sure, because the export is a good margin stream of revenue in our blended four streams of revenue. If you look at it in the next one or two quarters as you correctly said the contribution from this stream of revenue would be low. From this aspect, there will be a definitely a pressure on the margins. But while I said the efforts will be, which we have seen in the sequentially also, to maximize the project consultancy revenue, which is also a good stream of revenue. So, to that extent, we have been able to minimize the impact Q2 to Q3 the project consultancy revenue grew and that's why in spite of generally or sequentially Q1, Q2, Q3, we could even still come back with the

2% growth in the EBITDA margins in Q3. So, to that extent yes, there will be a pressure, but efforts will be to blunt that pressure to the extent possible by project consultancy revenue.

**Moderator:** Thank you. Our next question is from the line of Viraj from Jupiter Financials. Please go ahead.

**Viraj:** Yes, sir this is regarding REMCL, can you explain there is a line in the REMCL report which says, your company has facilitated executing PPA about 5111 megawatt, out of which 136 megawatt is operational and remaining should start by FY23-24 and target to be completed by 25-26. Sir, can you please explain this, is it possible I couldn't understand this, what's the model there?

**Rahul Mithal:** No, this is basically the RTC tender which we had floated and as these are split between different parties and the power purchase agreement gets signed between the various parties. So, they are in the process of one by one getting signed that was the basic the amplification in that.

**Viraj:** So, what is the basic model of REMCL if you can just give some color on that, how do we make money in this?

**Rahul Mithal:** So, basically REMCL, the main role of REMCL when it was formed was to procure the traction power for Indian railways and that is a very important exercise because to be able to procure and balance the power requirements, so that you spend the minimum and end up as less on spot purchase. We have a control center at our REMCL office which tracks the demand across the Indian railways and from where it can source and do the power balancing and optimize the purchase cost. So, as a consultant REMCL works as the consultant for procuring power for Indian railways across Indian railways, the various zones and it gets a consultancy fee as a percentage of the total power procurement. So, as the electrification grows, or as the traffic grows, and there is more and more demand by the Indian railways, the revenue which is a percentage of that as a consultancy fee grows. So, that's the basic model of REMCL. Further to that, a few years back with the net zero initiative REMCL was given the dictate of being the key nodal agency for implementing the net zero initiative of Indian railways. So, now REMCL has been floating various renewable tenders on a developer mode and for doing that work, it also gets some consultancy fee.

**Viraj:** The same thing when we go from 136 megawatt to 5111 megawatt, what will be our size of revenue and opportunity in this?

**Rahul Mithal:** No, that we have floated the contract, we have finalized the contract and we have got the consultancy fee for it and this is just an information that these contracts are getting in place. And the power will switch from, the sourcing will switch gradually in line with the vision of being net zero from the conventional source of traction energy to these renewable sources of energy.

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

**Rohit Natarajan:** So, if you could just help us understand what is the total addressable market in export for countries like Africa in Latin, South Asia, where I am coming from is essentially trying to understand what is your conversion ratio within that total addressable market?

**Rahul Mithal:** So, to give you a rough insight into what we are trying to assess, Africa itself there are 11 countries which are in a unique gauge called cape gauge. This is unique to these 11 countries, which is 1067 mm, which is somewhere greater, little bigger than the meter gauge. Now, about four years back we designed, we were the pioneers in designing high horsepower locomotives, push pull DMU coaches as well as state of the art AC and non-AC coaches for them for Mozambique on the cape gauge. Because of this, we have got interest from all these 11 countries. The scope, whether it is in coaches, locomotives or wagons or DMU push pull trains is tremendous across all these 11 countries. However, each one of them has funding issues, some of them are trying to get a line of credit from India, some of them are trying to source funding from their own sources or African Development Bank and other multilateral funding agencies. So, it's to give one figure, one ballpark figure of the size of the market, even for the 11 countries it is very difficult to come at one figure. But the scope is enormous, and it is more dependent on their funding mechanism. So, while we keep trying to help them in forging out the funding mechanism, more and more as they get their funding mechanisms in place, we are the preferred choice for them. Similarly, for the immediate neighbors, whether it is Bangladesh or Sri Lanka, because both are in broad gauge we have been exporting to them. And in this tender we became L1 through a global tender as they get more and more funding in place, their requirement is huge. Sri Lanka is wanting to revive back in a big way, the requirement is huge, whether it is in coaches, wagons, locomotives, they are looking for the ideal funding mechanism. Then we can supply them these rolling stock. So, the market availability is huge, it is more dependent on them getting their funding mechanisms in place.

**Rohit Natarajan:** Just to follow up on that, sir. If we have to gauge what is the funding potential of maybe all these countries, what barometer or what parameter should be the tracking?

**Rahul Mithal:** Each of these countries have a different appetite for taking loans, their strength of their economy and their creditworthiness besides the loan which they get from any of the funding agencies whether it is the ADB, EIB or the Indian line of credit, so it varies from country to country. And that's the constant exercise. These countries look for and take our support also and advice on what are the possible size of the funding which they can get.

**Moderator:** Thank you. Next question is from the line of Harshit Kapadia from Elara Securities Limited. Please go ahead.

**Harshit Kapadia:** Just one question from my side. If you look at your Q3 results, when we look at on a quarter-on-quarter basis, there has been an improvement. Would it be right to say that this is a quarter that we will have hit the bottom and we will not see on a quarter-on-quarter basis decline, or we have hit the bottom both in terms of growth, revenue as well as in terms of margins, if any color would be helpful?

**Rahul Mithal:** Yes, Harshit. So, if you compare Y-o-Y moving forward also it may not always be a fair comparison, because of the goalposts being slightly different in terms of contribution from two very large streams and high margin streams which were the export and the inspection business. So, however having said that, the sequentially if you even see this FY Q1 onwards up till Q3, in all parameters, there has been a steady uptick in line with our strategy at the beginning of the FY and to my mind and our assessment, we will continue to push this moving forward even in Q4 so that we keep consolidating our position and our push so that on FY basis we come as close as possible to the FY22-23. And then building up on these orders and the revenue realization in the coming FY, the coming FY will be a fairer comparison vis-à-vis baseline of '22-23.

**Harshit Kapadia:** And just one final question, follow up on this, what would be the consultancy revenue x of your quality assurance business?

**Rahul Mithal:** So, the consultancy revenue has seen a Y-o-Y growth of 21% and it has seen a sequential growth also of 5%, the project's consultancy revenue. While it may not be fair for me to break down the further because it takes down the total consultancy revenue as a whole but I can only add color to the fact that in spite of this hit of about four quarters back in the inspection business where we became one of the four entities to be awarded the inspection business which took a hit of about with the rates also



going down about 20% hit on the top and bottom line from this stream of revenue, we have been able to stand ground and diversify our other clients. And on steady basis on all three quarters, we are close to the levels of the inspection stream, which we were hither to earlier before this sector opened up. So, the impact has been able to be nullified to an extent possible, we are down by 20%, 25% in the inspection stream of revenue from the earlier levels. And as per our target, which we were aiming for, we should be able to come back to those levels in about two quarters time.

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

**Vishal:** Sir you did touched upon the previous participant question that you will come back to the same level what it was two quarters back for the consultancy. So, that was on the margin front you mentioned or on which side you mentioned?

**Rahul Mithal:** No, I said on the inspection portion of the consultancy business. You see the project consultancy business has seen steady growth and which has been our push to be able to blunt the impact of the export and inspection. So, project consultancy has seen a growth Y-o-Y of (+20%) even sequentially it has seen a growth of (+5%) even with a high baseline. So, the inspection stream of revenue which contributes to my total consultancy pie, which was the one which has taken a hit. It used to be in the range of about 2/3rd, 1/3rd in terms of the railways as a client and other clients about 1/3rd which in the last three quarters we have made attempts and got a number of orders across the other non-IR clients and that contribution will start coming up and we are aiming that in about two to three quarters maximum our inspections stream of revenue should aim to come back at the level it was prior to its opening up. Yes, in terms of the margin in the inspection stream now with all of these coming on a competitive basis it will definitely be difficult to maintain those levels of margin. So, the first immediate milestone is to come back to those levels of revenue and then further grow in that so that the actual contribution in EBITDA from the inspection stream comes back to the earlier levels. So, to give you an example, most recently we've got a good order of about Rs. (+14) crore for our inspection vertical from the GEM marketplace. So, we are doing the inspection, and the vendor verification services are about +14 crore, we got an order from the GEM vertical. So, this is a very unique and a very good breakthrough for us and we'll build upon on this to get many such similar orders.

**Vishal:** Okay. So, last two quarters we are seeing that at an EBIT level consultancy margin has been quite a range bound at 44% and 44.5% EBIT margin consultancy. So, can we say that probably like whatever the impact has to happen say for opening up at the

sector, competition the margins are reflecting and then probably this is kind of bottom on the margin for consultancy, can we say that or do you still think yet to get more clarity as the quarter comes?

**Rahul Mithal:**

The consultancy pie has contribution from about 13 different streams of revenue inspection is one of them. So, whether it is the building, highway, metro, rail infra, airport, port across the sector, as I mentioned some time back when I was answering that question about the nomination versus the competitive basis, in this quarter itself our fresh orders of (+100) orders which you've got at least (+50%), in the range of about 50% to 60% are on the competition basis both domestic and international. So, as all clients whether these are the ministries or the state governments or private clients, they are all opening up through the competitive mode, the margins even at the range of about 40% to 42% are difficult to secure at those levels moving forward because each one of these 13 contributors to the consultancy revenue are taking a stronger challenge in terms of margins. So, while the margin percentage will definitely be tough to ensure what the aim is that you get more and more orders that you see there's a healthy growth in our consultancy order book itself. So, that is absolute contributions in the EBITDA and profit we are able to have a steady growth.

**Vishal:**

Okay. So, then this new orders that we are getting, what margins are probably any range that you can provide sir?

**Rahul Mithal:**

Well these are different across sectors it will be again unfair and give a wrong picture if we give you one figure there'll be a different margin in areas of conventional consultancy like highways, where there are much tougher competition then there are areas there are more skilled area, higher skill sets and there are lesser players or bigger players. So (54:00) is the metro sector or the airport sector or the tunnel engineering sector, bridge engineering sector. So, there the margin are slightly better. So, every vertical has a different range of margins depending on the competition and the players involved.

**Moderator:**

Thank you. Our next question is from the line of Viraj from Jupiter Financials. Please go ahead.

**Viraj:**

Sir my question is, what is the timeline of the execution timeline for the export orders maybe one year or two years like what is the execution timeline if you can give some color on that?

- Rahul Mithal:** Viraj normally locomotives take a longer period of time and as I mentioned the revenue realization happens at one go. There are unfortunately no intermediate milestones where we can recognize the revenue, the revenue comes in one go when these are shipped out and the bill of lading is made at the port. And normally it is not that one or two locomotive, normally they don't take sets of one locomotive. So, normally minimum of two to three locomotives or more when they get manufactured then a vessel is arranged, and the revenue realization happens. So, locomotives are the longest lead time anything ranging from, beginning from 12 to 14 months to ending in about 16 to 18 months the coaches are much faster to manufacture and so, once the Bangladesh order is in place and we actually start the manufacturing process, to my mind they have a faster lead time and they can start from anything from about six to nine months' time approximately.
- Viraj:** Okay. So, the coaches is like, when you deliver, it can be delivered in batches and we can get the payment is this the way throughout is it?
- Rahul Mithal:** Yes, for all export orders whether it is coaches, locomotives, wagons, et cetera. So, even for coaches so suppose these are 200 coaches the order, normally again they would be dispatched in lots of maybe 20, 30 coaches, the first set of as soon as 20, 30 coaches are ready to be shipped, they will be shipped and at least to that extent that particular day the revenue realization will happen. So, while there is a lead time, the revenue happens on one particular day for one set which is exported.
- Viraj:** So, the revenue will come in one particular quarter in bulk that's what how it works. That's a correct way to think?
- Rahul Mithal:** Yes. There is no intermediate milestone for revenue realization, it only happens when one set of say 20, 30 coaches or two or three locomotives are exported.
- Moderator:** Thank you. Ladies and gentlemen that was the last question for the day. I now hand the conference over to Mr. Harshit Kapadia for closing comments.
- Harshit Kapadia:** Thank you. We would like to thank Shri. Rahul Mithal – Chairman and Managing Director; Shri. A K Singh – Director (Projects); Shri Dr. Deepak Tripathi – Director (Technical) and Shri. K.G. Agarwal – Director (Finance) for giving us an opportunity to host this call. We also would like to thank all investors and analysts for joining for this call. Any closing remarks Rahul, sir?

**Rahul Mithal:**

Yes. I just wanted to reiterate our strong commitment in the direction we are moving. We are proud to have touched some milestones in this quarter, we were declared the Navratna status. We have got two very important awards from the Institute of Chartered Accountants of India for good governance, we have got a scope award for good governance and institutional excellence. We were proud to be having made the Ayodhya Dham station which was inaugurated most recently by the honorable Prime Minister and the milestone of becoming a one order a day company in this quarter. So, with all those in spite of the various challenges which we have discussed, we are very confident that the movement is aggressively in the right direction, and we will continue to build up on the space and consolidate our position.

**Moderator:**

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

**-End-**

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