RITES
THE INFRASTRUCTURE PEOPLE

आज़ादी का अमृत महोत्सव

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

No. RITES/SECY/NSE **Date: November 13, 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
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Sub: Outcome of Investors/ Analysts meet - Transcript of the Conference Call held to discuss Financial Results for quarter and half year ended September 30, 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 Thursday, November 07, 2024, to discuss the unaudited financial results of the Company for the quarter and half year ended on September 30, 2024.

This is for your information and records.

Thanking You,

Yours faithfully,
For **RITES Limited**

Ashok Mishra
Digitally signed by Ashok Mishra
Date: 2024.11.13 19:09:17 +05'30'

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

RITES Ltd

Quarter 2 | FY 2025

07 Nov, 2024

Moderator: Good morning, ladies and gentlemen. I'm Steve. Moderator for this conference. Welcome to the conference call of RITES Limited to discuss its Q2 FY25 results.

We have with us today, 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.

At this moment, all participants are in the listen only mode. Later we will conduct a question-and-answer session. At that time, if you have a question, please press '*' and '1'on your telephone keypad. Please note this conference is being recorded and in the interest of time and fairness to all participants. You are requested to restrict yourselves to one question per participant. Time permits, you may come back in the question queue.

Now, I would like to hand over the floor to Shri Rahul Mithal - Chairman and Managing Director of RITES Limited. Thank you and over to you Sir.

Rahul Mithal: Morning, everyone. I begin with the Safe Harbor statement. The presentation and the press release which we uploaded on our website and exchanges 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 materially different and we do not undertake to update those statements periodically.

To begin with, let me give you a brief overview of the quarter two and then we leave the floor open for questions.

Quarter 2 has been a tough quarter in terms of the execution. Some of our projects in different geographies were impacted due to various reasons as you are aware of many infrastructure projects across various geographies being impacted in this quarter. We are consolidating and our focus has to be and will be in the coming quarters to continue increasing the execution and the sequential trend in terms of revenue about 11 to 12% from quarter one to quarter 2. That is what we will consolidate upon in the coming quarters, so that the effort is to be able to reach as close as possible of an FY basis as close as possible to the previous FY.

In terms of the order inflows, we are quite aggressively moving forward in maintaining our track record of being a 1 order a day company and in this quarter itself we got 90 plus orders totaling to about 700 plus crore. And this quarter was in fact more than even the entire H1 of previous FY. So, we need to keep on consolidating our order book and, we will continue to focus on increased execution in the balanced quarters of this FY.

With these broad opening comments, I leave the floor open for questions.

Moderator: The first question is from the line of Shreyans Mehta from Equirus. Please go ahead.

Shreyans Mehta: Yeah. Thanks for the opportunity. My first question is as far as the margins are concerned, so if you see Sir, you know after a long period of time, the margins have actually come down below 20. So just wanted to understand, are there anyone offs during the quarter? And secondly in terms of you know, how should we see the margin trajectory going forward? That's the first question.

Rahul Mithal: So, morning Shreyans. In terms of margin, if you see, we are in the range of about just below 20 EBITDA margins and PAT margins about you know 15% on a consolidated basis, we will continue to try and improve as execution improves in Q3-Q4, there will be slight uptick in the margin, but we will remain in this range. If you see H1 also, our overall margins i.e. EBITDA margin on the consolidated basis is about 21% and PAT margins are 16%. So, in the range of about 20-21% and this would be the range the range of EBITDA and about 15 to 16% of PAT margin moving forward even on a FY basis.

Moderator: Thank you. The next question is from the line of Vinamra Hirawat from JM Financial. Please go ahead.

Vinamra Hirawat: So, I wanted to know what the ratio of the order book is where you know the share of nomination and competition orders will stabilize. We're currently at around two third and one third, where do you see this stabilizing and are we seeing further margin pressure as nomination orders go up in any of the segments moving forward?

Rahul Mithal: Vinamra, so, the ratio which you see in the order book is the ratio of the order book. If you see the fresh intake of orders, the ratio of competitor is even higher. It's now in the range of about 70 odd percent plus. And this trend is only increasing from quarter to quarter. I see this only increasing, it will always remain, I think 70% plus in terms of competitive on an averaged-out basis and will only increase. In terms of margins, yes, because of this and continuously trying to get more orders also, there will be a stress on margin but I foresee as I told to the previous caller that on an average, I see EBITDA margins hovering around about 20 odd percent and PAT margins hovering around about 15 odd percent on a console basis.

Vinamra Hirawat: Got it.

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

Viraj: Yeah. Good morning, Sir. My question is on exports only can you give some color what we're planning out? I understand we got three orders so far and the execution timeline.

Rahul Mithal: Morning, Viraj. So, we started breaking that hiatus of about three to four years of no export order. We got the 1st order of about ₹300 crore in Q4. Second order over ₹900 crore in Q1. In Q2, we got another order of South Africa about ₹35 crore. And in Q3 also in the one month or so we've got another order of about ₹50 odd crore from South Africa. So, we are trying and breaking that gap. We are now continuously getting orders. The average timeline and some of these are locomotive and some of them are coach orders like the Bangladesh ₹900 crore plus is a coach order. They have a finite timeline. What we are expecting is that the first revenue from these orders will start coming in by Q1 of next FY and most of these orders will generate a substantial revenue if you see during the entire next FY. So, the effort of trying to continuously keep on getting new orders that is our aspiration is to get one export order, at least one in every quarter. And then by next FY, the existing orders start generating revenue.

Viraj: Is the regarding export only? How is the Bangladesh export planning out because of the geopolitical uncertainties?

Rahul Mithal: So, it is an EIB funded project, so there is no problem in terms of the funding, all necessary approvals paperwork is in place, the design approvals are going on for the prototype, the setback was only temporary for 2-3 month or so. So it is, you know, the timeline has spilled by about 2-3 months. So, what we were aiming to somehow slip through some coaches by Q4 or early Q1 may slide by few months, but it's on track.

Viraj: OK. Thank you, Sir. I will come back in the queue.

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

Parimal Mithani: Sir, I just wanted to know, whether the reason for quality assurance is due to the competitive nature. How do you look into it there?

Rahul Mithal: Yes, I'm glad you asked that Parimal. You see, we were doing quality assurance which has a good margin, higher revenue source for us for last nearly 5 decades and more than two-third of this was from Indian Railways as a client and this was on a nomination basis with a good margin. Early last year, the work was divided for the first time through an open tender between four players, so the volume went down to about 30% and the rates came down to about 20% of the rate. So, you can see a double hit and these orders against the new contract, the inspection call started hitting in by latter part of the last FY, and now that is the new rates. So that's why this has given us a hit. Having said that, parallelly last year itself from early last year we started diversifying into a lot of other clients in the QA Business and if you compare from last year within one year what used to be about 60% plus or two-third of IR as a client, in this Q2 it is down to about it's become reverse about 40% as IR as a client and 60% plus as non-IR as a client. So, we have taken work across a number of non-IR clients, both domestic and international. We got a first order from Sri Lanka, so with this, in the coming quarters, our aim is to come back, at least in terms of the total revenue from this stream to the pre this tender level, you know early last year's levels.

Moderator: The next question is from the line of Manan Poladia. Please go ahead.

Manan Poladia: Just a question since you said that our split of business from IR to outside business has slipped, is that also something that has a bearing on the margins, were we getting better pricing for the railway business that we're not now getting within the outside business that we're trying to do?

Rahul Mithal: So, Manan, I'm specifically talking of the QA stream of my business, right, we do lot of other work for IR also, this is QA stream, the inspection stream of revenue which as I said was about two-third IR and one-third non-IR. And obviously now that we are diversifying and have been doing it in the last year or so. Taking orders across non-IR, the margins have taken comparatively of huge hit. The rates have also gone down substantially and if you analyze that, that is one of the main hits if you compare YoY, all other schemes of revenue, whether it is project consultancy, leasing, turnkey, etcetera have been steadily growing. They have reached all-time highs in fact, in some quarters the hit has been due to contribution from this particular stream of revenue and as I mentioned to one of the earlier callers, the export revenue which has not been there for last few quarters, which is expected to pick up by next FY.

Manan Poladia: Right, Sir, I understand that.

Moderator: The next question is from the line of Shreyans Mehta from Equirus. Please go ahead.

Shreyans Mehta: Yeah. Thanks for the opportunity, Sir. Coming to a FY25, as you said, you know, probably export orders traction should start from FY 26. So how should one look at FY 25 in terms of revenues given that export orders wouldn't be there and 2nd follow up would be you know once the export orders start trickling in? Will the working apple cycle be similar to what we had earlier, or would there be any changes?

Rahul Mithal: I didn't get your follow up when the extra orders keep coming up, I didn't get that.

Shreyans Mehta: When the export orders start contributing, say FY26 onwards, will the working capital cycle remain the same as we had earlier? How will the working capital cycle work?

Rahul Mithal: So, in terms of FY25, as I said at the outset, the focus now is Q3-Q4 as normally Q3-Q4 gives the best execution for infrastructure projects. The aim is to really step on the gas and execute all our infrastructure projects. We've got a huge order book now and we are growing not only in the order book, but as I said, the focus has to be increased in execution both in the consultancy as well as the turnkey so that we come as closer to the previous FY and the export revenue started, which will definitely start coming in by early next FY. And this large order book which we have now of about ₹1300 odd crore of export orders plus some orders will come up also, in terms of that, they will start generating revenue in next FY. The working capital requirement for exports has been hardly any. That's our traditional model which we have been doing export of rolling stock traditionally. So, working capital requirement has been minimal and will remain in that range.

Shreyans Mehta: Got it. That's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Vinamra Hirawat from JM Financial. Please go ahead.

Vinamra Hirawat: So, my question is regarding execution and so can we know why execution has been lower across multiple geographies like you said in the introduction, is there anything other than the monsoons and any possibility of our sales having been impacted due to lower government spending than expected in the first half of this fiscal year?

Rahul Mithal: I don't think there is any substantial reason except the reason that you pointed in terms of infrastructure, there have been certain geographies which were definitely impacted due to the you know, the rains, etc. But if you see Q1 to Q2 sequentially, we have tried to step on it and there has been about 11 to 12% growth in the operating revenue. But yes, if you compare YoY, it is lower, about 7% odd lower. So, we need to and as I said Q3-Q4, we will be able to, the visibility is quite clear in terms of execution at the ground level. There doesn't seem to be any major finite substantial reason why the execution level should not improve in Q3-Q4 of these projects.

Vinamra Hirawat: So, it's not because of low government spending, it's more because of just monsoons and geographies?

Rahul Mithal: No, not at all. We have about 600 plus orders of consultancy and turnkey across totaling to the ₹6580 crore and this definitely is these are just in terms of you see the factor which you saw in across certain geographies, across the country and so I don't see any problem at all in stepping up and seeing at least minimum, we've already seen Q1 to Q2 about 11-12%. I see in terms of execution even a bigger substantial execution growth moving sequentially.

Vinamra Hirawat: OK. Thank you.

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

Viraj: Yes sir, my question is on the export order only, the ₹1300 crore the export order will be executed over what period of time, Sir, once you start from FY25?

Rahul Mithal: You see, Viraj, normally locomotives take about an average of 18 months and coaches about 15 odd months. These orders are locomotives and coaches and the coaches won for Bangladesh got affected by about let's say three to four months. So, putting that time frame of about 18 odd months and these orders are already in our kitty. I think next FY, we have a bright chance of executing a substantial chunk. Our aim would be to, I would say rather than putting a specific percentage but with ₹1300 odd crore order in hand, we would like to execute a substantial chunk of it in the coming FY.

Viraj: And Sir, follow up on that, the margins on the export would be in range of 25% EBITDA and 20% PAT since it is an export order?

Rahul Mithal: No. I've explained that earlier, when we've got these orders for the first time, breaking hiatus about three to four years, most of the, nearly all the export orders which we have got in the last four to five decades have been through the line of credit through EXIM Bank tenders, which were primarily more or less kind of a nomination mode. The line of credit has completely become dry for export of rolling stocks in the last three to four years. All these orders which we are getting are non-line of credit orders through a competitive global tender bidding. It is like, I said the Bangladesh order is an EIB funded tender where there was huge competition across the countries. So obviously those levels of margins are in no way possible moving forward in the export stream, the margins will definitely be better than the turnkey segment, but definitely not in the range of the traditional export 25% odd margins.

Viraj: What would be the margin say in that case would be in what range would be give some indicative range?

Rahul Mithal: Well, it's premature. See each of these have been built at different margins and the aim would be to execute them quicker so that we get margins even better than what we bid at. So, it will be very difficult right now to make one figure, each one of them has different levels of margin, but for sure I mean in terms of very clear clarity, they are definitely well below 25 odd percent.

Viraj: OK. Thank you.

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

Parimal Mithani:	Sir, in terms of follow up to the quality assurance business, you launched this thing called Vistar. So how does it help in terms of if you can explain that and is it going to be margin accretive to us?
Rahul Mithal:	Yeah, I'm glad you asked this question. This is, you know a very important initiative for from us, for getting cutting edge technology across our areas and QA being a very important area, this is basically the use of AI for inspections of rail at SAIL's Bhilai plant and this is a very good start. First of all, it improves the quality of inspection, it's a very important safety related aspects and these are early days. It is to get in this technology to 1st improve the quality and then be able to use this technology not only in rail but other safety items that we inspect and then that is the time when we'll be able to capitalize on this both in domestic and international market. AI based inspection to generate more and more profitable orders. Right now, these are early days of a very good initiative to try and have a breakthrough in using AI for this safety items inspection.
Parimal Mithani:	OK. Thank you. I'll come in the queue.
Moderator:	Thank you. The next question is from the line of Manan Poladia from MKP Securities. Please go ahead.
Manan Poladia:	My second question was on the REMC business. You had said that we are putting out tenders for the 700 MW I think plan. I was just wondering if there is any update on that and if you could also tell me how we are thinking of the REMC business for say the next three to five years going forward, what sort of capacities we're looking at?
Rahul Mithal:	So, in terms of the REMC business, it has been performing well, as you would have seen, it is being successively growing and giving profits. It's has given of about ₹20 odd crore profit in this quarter and also giving good dividend to RITES and IR. The tenders, we have finalized, one tender for 900 MW and 2nd of 600 MW. The PPA is being done the as of now the 695MW is being reviewed.
Manan Poladia:	OK. Understood, sir.
Moderator:	Thank you. The next question is from the line of Uttam Kumar from Axis Securities. Please go ahead.
Uttam Kumar:	Good morning and thanks for the opportunity. Sir, what is our current status of Zimbabwe order that we got around 500 crore? Any update on that?
Rahul Mithal:	Yes, morning. So, this Zimbabwe as you would be recalling was an agreement signed last year, it is about ₹700 odd crore. We did not enter it into our order book, considering that it has a clause in the agreement that it is subject to funding from the AFREXIM bank. We have been continuously having deliberations with the NRZ and AFREXIM Bank. We are quite hopeful that the way it has been moving forward, they have had some basic in principle approvals in place. However, we are stepping cautiously, we don't want to expose, you know, take any liability till the clear funding letter comes from AFREXIM Bank. But the way things are moving, I am hopeful that this should mature in the coming months.
Uttam Kumar:	OK. Thanks a lot.
Moderator:	The next question is from the line of Gaurav, an individual investor. Please go ahead.
Gaurav:	Thank you for taking my question. My question was on the export front. Like you said, a major chunk of the order will be executed during this year. So, what number can we expect at the end of the fiscal year and how do you see it going forward?
Rahul Mithal:	So, as I said, Gaurav, our order book of export as it stands now is about ₹1300 odd crore and we expect that this will start fetching revenue by early next FY because in the export stream of revenue, when a sizable lot is manufactured and is shipped out and we get the bill of lading that we recognize the revenue. So, the recognition of revenue will start sometime early next FY and considering an average lead time of about 18 odd months, 18 to 20 plus months for manufacture of locomotives and export and for coaches also, I see that for the ₹1300 odd

crore, if you calculate backwards would, as I said substantial amount would get booked in the next FY.

Gaurav: OK. Thank you so much. I'll get back in the queue.

Moderator: Thank you. The next question is from the line of Vishal from Antique Stockbroking. Please go ahead.

Vishal: Yes, Sir. Thanks for the opportunity. So, on a margin front or for a turnkey segment. On a quarterly basis, we are seeing clocking in roughly like you know one point 1% odd. So, is that fair to say probably like you know this is kind of a new run rate for turnkey margins for us?

Rahul Mithal: You see, yes, turnkey business by itself hovers about 2 to 3% margin. This one has been substantially lower because now many of them are in the final execution stages, especially the IR projects that we were doing like electrification etcetera. So, at the latter stage where the execution is there and most of the material has come and the revenue has been booked, so margins go down but then normally on an overall basis, turnkey projects would hover around about 2 to 3% maximum.

Vishal: OK, so this first half run rate of 1-1.1, so I mean is expected to move up to roughly 2 to maybe like 3, is that fair way to understand?

Rahul Mithal: As the older lot of turnkey projects finish and the new orders that we have get as they start their execution and there is some overlap also of some of the earlier projects coming into Q3-Q4, it will definitely creep up slowly and on an average basis if you see turnkey project, they would hover around about 2 odd percent.

Vishal: So, if I may ask one more, I think you did mention your order book has 63% on a competitive bidding. So, on a segment wise, I mean like you know how exactly it will fare where we have a nomination, where exactly it's a full order book is competitive bidding say between turnkey export and Consultancy?

Rahul Mithal: You see and again as I mentioned, 63 percent is the current order book. The fresh orders are all about 70% plus on competitive bidding. As I mentioned to one of the previous callers, all the exports are on competitive. The consultancy also, is hugely on competitive basis. So, they average out around about 80% of these are competitive basis where we may be still getting some orders on nomination is in our O&M & leasing business where traditionally there have been some clients who continue old PSU's that we've been working, some but that's also opening up and there is now about a 50-60% competitive. So, on an average it is set fresh orders are all about 70-75% on a competitive basis.

Vishal: Sure Sir, that's all from my side and thank you for all the answers. Thank you.

Moderator: Thank you. The next question is from the line of Vinamra Hirawat from JM Financial. Please go ahead.

Vinamra Hirawat: So sir, you know, breaking our export orders high, it's been great news. I want to know, how exports orders flows will look 2-3 years down the line, are we still going to see you know close to ₹1000 crore order and flows like we have this year or without push on competitive orders, can it even go higher in a couple years our order inflows than it has been this year, which is the first year we've broken our export high it is.

Rahul Mithal: Thank you. I'm glad you asked this question. A very favorite pet area of mine because it required huge lot of effort to do business re-engineering to be able to compete in the global market and get orders for the first time in five decades on a global tender basis and having broken that and now tasted blood, we are moving forward and trying to get orders, whether big or small, in every quarter. So, subsequent to that we got some orders ₹30-40 crore each from 2 orders from South Africa, and these were for in service diesel locomotives which had to be modified to their gauge and exported. There is a huge potential in that for a large number of in-service locomotives lying with Indian Railways and we are looking for markets to export them and with now being the hang of how to, you know, market intelligence for global tenders. I definitely see this picking up again because we have reengineered the way we are tackling the export business and not only waiting for the line of credit opportunities which have hardly come in the last three to four years. There has been no line of credit export of rolling stock opportunities. So, I see this growing on a steady basis in the coming years.

Vinamra Hirawat: Got it. And you said you expect margins to be around 20% in this segment, right?

Rahul Mithal: I didn't mention any margin for export. I mentioned an overall margin that we are aiming at the current levels of EBITDA of around 20 odd percent and PAT around 15 odd percent, that's are aspirational targets and we hope that even though with the changed business scenario and the extreme levels of competition which within one year, the fresh orders we used to get about within a year itself, it has changed from about 50:50 to about 70% plus on competitive basis overall across my vertical. So, that's the level of margins that we are aiming that we should be able to aim to secure.

Vinamra Hirawat: Got it. Thank you.

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

Viraj: With all this, what these agreements and export orders all coming in, what will the FY26 look like? Any guidance on that would be?

Rahul Mithal: You see, this year is and will be the toughest year for us. As we have said at the beginning of the FY, it's a year of consolidation. We are trying to increase and improve the execution in Q3-Q4 to come as close as possible on an FY basis to the previous FY. As you correctly said with the export stream contributing in FY26, I definitely see double digit healthy growth vis-a-vis the current FY in the next FY.

Vishal: You mean in terms of revenue, right top line with double digit growth?

Rahul Mithal: Yes, definitely. In terms of top line, because that's as you see the order book from export itself will contribute a substantial amount with literally a 0 contribution in this FY in terms of export. So that itself and other streams have been continuously growing. You know project consultancy has been growing, turnkey has been growing. So, in terms of FY26, we should see a substantial healthy growth vis-a-vis FY25.

Moderator: The next question is from the line of Harshad Jitendra from Elara Capital. Please go ahead.

Harshad Jitendra: Hi. Good morning and thanks for the opportunity. I know, Sir, we are having some difficult times at this point and I think you are doing a very good job sailing through this difficult time. Just a question from my side is the worst over as far as quality assurance is concerned as far as in terms of you know growth and if you can also give any number for the quarter in terms of what is the quality assurance number compared to YoY last year?

Rahul Mithal: Yeah. Morning, Harshad. Thank you for understanding the tough fight, which our entire team was giving. And I think whether it is in quality assurance or export or in terms of all our streams of business, it is only upwards now which we have been aiming at the beginning of this FY. Sequentially, as you see, we've been growing about 11-12% and that definitely we will sequentially growth will be higher as you move on to Q3 and Q4. In terms of quality assurance, this was quite a substantial business, it's part of our consultancy revenue. So, it's not fair for me to break it down separately and be able to give you the figures, but our internal analysis shows that the worst in quality assurance is over in terms of the fact that the new regime of orders, as per the revised rates from Indian Railways has kicked in from latter part of last FY. So, the last two quarters, three quarters which revenue from IR we are getting, we are getting as per the new rates. Parallelly, all our efforts last year of diversifying into non-IR. Clients we have tipped the balance and as I said, two third plus now is non-IR clients in terms of our revenue as well as order book and these are the early last year where it was the reverse. So, our effort is that the levels of QA revenue which you are seeing which has now come, this will only increase now, we are getting, we've got a first revenue international QA from Sri Lanka, our revenue from PM Vishwakarma, revenue from GEM and a number of non-IR assignment you know across states whether it is Jal Jeevan, whether it is solar energy, you know whether it is various other infra from various municipal corporations which we are doing process and the product inspection. This is only adding and it the QA revenue is also on an upward swing now starting from this quarter, itself.

Harshad Jitendra: That's great to know, Sir. I have few more questions. I'll join in the question queue. Thank you.

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

Parimal Mithani: Sir, thanks for the opportunity. Is it fair to assume that what the work has to be done is over with in terms of quality assurances, export another line of business and the traction ahead is going to be more especially in exports?

Rahul Mithal: Yes, for sure Parimal. And I'm not saying it just out of thin air, it is in terms of numbers that speak, the worse in export is in terms of the numbers that we have now about ₹1300 odd crore of order book which are the first of these was received in Q4, which is already now about 7-8 months, sorry about 10 months old. So, these will and considering even the most conservative lead time of delivery from 18 months plus these will start generating, these orders will start generating revenue in the coming FY, and these the strike rate of getting export orders is not only one order which was in Q3, which was the 1st order after gap of about 3 for four years. The order we have been flowing in. So as far as export is concerned, as I said, definitely the numbers speak for itself, the worst is over. In terms of revenue realization, yes, they will start generating revenue only next FY in terms of QA as I explained to Harshad just now in terms of diversification of the order book, that effort has gone through in the last about three to four quarters and these new non-IR orders have started generating revenues and in Q3-Q4 onwards, the QA contribution is only grown and increasing. Yes, obviously not at the levels of margin which have been there traditionally for four to five decades but in terms of total volume, this is now only an upward trend in the coming quarters.

Parimal Mithani: Just to follow up in terms of exports if we get the Zimbabwe order, it will be at 2000 crore by the end of the year, right. If you get that to that entire thing?

Rahul Mithal: See the value of that was about 80 million odd USD. So, let's see in terms of when, as I said to one of the callers that we are pursuing, it is moving on the right track, but we will only add it to our order book when the clear funding letter comes from AFREXIM bank, which we seem to be making a headway, but it is moving hopefully in the next few quarters it should mature.

Parimal Mithani: So, thank you and all the best, Sir. Thank you.

Moderator: The next question is from the line of Vivek Rathi, an individual investor. Please go ahead.

Vivek Rathi: Hello Sir. Thank you for taking my question. So, I just looking at the presentation here, I see the consultancy as you mentioned also over the conversation that it has gone down running, but I see more steep falling profit compared to revenue, I think revenue is somewhere down around 7.4%, but profit seems to be down around 20 odd percent. Is this because as you said non-IR consultancy revenue is less as we got compared to the last few decades? Or is there any other reason?

Rahul Mithal: Yes. No, very correct. You see QA is shown as consultancy in the presentation. So, the terms of contribution from Indian Railways as a client, both in terms of value as well as in terms of margin. As I said, it got divided between four players so that when our revenue came down to about 30% from what it was about a year back from IR, the rate came down to 20% of what were the earlier rate. So that's a double hit in terms of revenue as well as rates and the deployment for inspection across the country for the various orders remains more or less the same. So that's why a hit on the bottom line also from this stream of business. However, having said that, we have managed to generate a large number of non-IR clients and our first international order also on QA. So, to that extent that has been the hit in the consultancy both in the top line and the profitability if you see the overall consultancy figure.

Vivek Rathi: Thank you, Sir. Just a follow up. So, I mean as you said, you're moving in the right direction. So, do you have any timeline or any expectation where the margin where we were to the previous figures or that is not really no currently, we can foresee?

Rahul Mithal:	Not only in QA, but on overall because of the various factors which I've pointed out, like the huge increase in competitive bidding, both domestic, including our export competitive global tenders. The current levels of EBITDA of about 20 odd percent and PAT margins of about 15 odd percent. That is the, you know, the realistic levels of margin which we see a visibility which is what we aim for.
Vivek Rathi:	OK, thank you. Thanks a lot.
Moderator:	Thank you. The next question is from the line of Vinamra Hirawat from JM Financial. Please go ahead.
Vinamra Hirawat:	Sir, you spoke about, you know, AI based quality assurance, which can increase our consultancy revenues going forward. Is this a USP that we have or are our competitors also getting into this and if they aren't yet in AI based QA, is there anything stopping them in the future so like do we have a mode of any sort? Any color on this?
Rahul Mithal:	You see, Vinamra, AI is a technology which every entities using in various facets. There are a large number of our competitors in the QA business and I'm sure they will and are working on AI. We gave a lot of importance to AI and as a first mover advantage started applying this for inspections of rail, which is one of the most safety related product. So, at our inspection site at SAIL Bhilai plant, we have introduced this and the experience that we gain, we already wanting to extend this to other products and keep safety processes and products. And I think this early moving will give us advantage, but I'm sure others will definitely opt for it. There is a competition in that. But you see AI based inspection coupled with our technical experience of four to five decades, whether it is rails or wheels or many such safety products, this definitely gives us an edge. And in terms of QA business as a whole in terms of our USP.
Vinamra Hirawat:	Got it. Thank you.
Moderator:	Thank you. The next question is from the line of Viraj from Jupiter Financial. Please go ahead.
Viraj:	Yes, sir. My questions about this MOU with Etihad rail. Any color on that in terms of like what is it for the IMEC corridor or any current that would be helpful?
Rahul Mithal:	Yes, Viraj, so Etihad Rail in the last few years is very aggressively expanding not only the rail network in UAE, but across the Middle East, whether it is Jordan, Qatar, Oman, etcetera. It's comparatively a young organization but in the last few years. It is expanding and executing a large number of, not only other said UAE but cross-border rail infra project. So, this was a very good important strategic breakthrough for us. We've entered into an MOU with them for five years for rail infra projects, not only in UAE but across the Middle East as well as they expand in other geographies also. So, I see a huge potential for leveraging this MOU in the coming months.
Viraj:	It is in the field of consultancy, not exports, right?
Rahul Mithal:	Yeah, it's an overarching MOU which covers all areas of our expertise, whether it is consultancy in rail infra network, whether it is export of rolling stock as their requirement increases because they are expanding. Their rail network is very young, it is for passenger, there is hardly any rail networks for freight, now they are started connecting their key ports for container movement in a big way. So, requirement of rolling stock for both UAE as well as other geographies is also an opportunity which is covered in this MOU.
Viraj:	OK. Thank you. And all the best.
Moderator:	The next question is from the line of Harshad Jitendra from Elara Capital. Please go ahead.
Harshad Jitendra:	Hi, thanks for the opportunity, Sir. Just to check, we had, you know tied up with BEML for the Bahrain Metro project where we were going to do the consultancy part. Any update on that Sir? Where are we in that particular stage?
Rahul Mithal:	No, I think there's some factual error in that we didn't tie up with the BEML for Bahrain Metro. We had done a consultancy for Bahrain Metro. We have an MOU with BEML for various metro

rolling stock projects. We are working closely with them exploring various opportunities across other geographies.

Harshad Jitendra: OK and sorry to hop you on this margin question, but if you look at even last few quarters when your quality assurance business was falling, your domestic consultancy margin business was above 40%, but in this quarter, it went down below 35%. So, is there any projects on consultancy side on the domestic side which is also moving towards a lower margin? Is that a correct understanding or maybe this quarter is some off is there and from next quarter will again may rise to 40% plus?

Rahul Mithal: Plus, no consultancy, all streams of revenue, whether it is consultancy, whether it is export and QA, whether it is turnkey, the fact of the matter is at every quarter the percentage of bids which we are getting on a competitive basis is increasing steadily, it is now inching up nearly up to 75 percent, 70% plus, and even the balance about 25% odd orders that we are getting on nomination from erstwhile client, there is a huge amount of revisit of the erstwhile agreements for lower rates, so that's why and as I said at the outset, we are maintaining a rate of one order a day. There's a huge inflow of orders in quarter two itself, and even the one month of quarter three, we have got orders of 650 crore already in one month in this quarter 3 so for being able to keep on expanding the order book. Yes, the margins of even in consultancy of 40% plus on a competitive mode is definitely not possible to be maintained.

Moderator: The next question is from the line of Vivek Rathi, an individual investor. Please go ahead.

Vivek Rathi: Thank you, again. So, just follow up, Sir, on my last question, I mean you said there are competition regarding among 4 different entities in QA. So, who are the other ones, Sir? I mean, are now there are new competitors, right? Because previously it was on nomination basis. Now there are 4 others.

Rahul Mithal: Yes. So, it was divided. It's what tendering process between three other players, totaling to four players. The other players, TUV, Intratech and Bureau Veritas.

Vivek Rathi: Can you repeat, TUV?

Rahul Mithal: There are four players now in the QA business for Indian Railways besides RITES which has got 30% of the total pie, it is TUV, Bureau Veritas and Intratech.

Vivek Rathi: OK, Sir, thank you.

Moderator: The next question is from the line of Harshad Jitendra from Elara Capital. Please go ahead.

Harshit Jitendra: Hi, thanks for taking my question again. So just you have recently got an order from DMRC for ₹35 cores for retrofitting of this O&M business. Can you just elaborate on what is this order and what is our scope and any more future orders expected?

Rahul Mithal: Yes. So, you see, we are expertise in design and you know of export of rolling stock. So, we have a very strong rolling stock vertical which has been customizing, designing rolling stock over the years for various clients and that's why we leveraged this expertise and experience as DMRC was looking for retro fitment of its first coaches, which were the earliest, about 20-year-old coaches which came in early 2000. These are about 22 rakes, about 1176 odd coaches which require midlife refurbishment for upgradation to the latest and whether it is in terms of technology, latest in terms of the interiors and then all over so. So that is a very good potential for us and we have got this through a competitive mode and in partnership with the expertise entities who have certain areas of expertise in the total pie. So, our share in this act is about ₹36 odd cores and we see this as a good opportunity because DMRC being one of the oldest metro systems there are more of rolling stock will require this mid-life rehab in the coming years and definitely moving forward other metro systems across India.

Harshit Jitendra: Understood. And secondly, on employee cost, we have seen a rise. Would that be correct to say that since you're getting more consultancy orders or, you know, one order per day. You are increasing your headcount and if you can also highlight which areas are these employees being added to within the four or five verticals that you have?

Rahul Mithal: Yes, I'm glad again you asked this question Harshit. You see that's a very strong strategic call that we have taken that in spite of the tough pressures on top line and bottom line because we are expanding our order book very aggressively. There is a certain time where you know, you're holding on and you need to build up your strength to be able to execute the fresh order. So, if you compare within a year itself, we have inducted about 300 plus people and besides superannuation of about 100 odd people, our net addition and employee strength has been about net 200. So, these 200 strengths we have increased obviously increasing the employee cost. Even though there has been, as I said, challenges on the top line and the margins so these are all engineers, graduates, postgraduates with areas of specialization ranging from design, from architecture, from town planning, etc. And these are primarily very carefully identified based on the order visibility that we are we have in our order book.

Harshad Jitendra: Understood Sir. Thanks for answering the question, Sir. Wishing you all the best.

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

Rahul Mithal: So, thank you all. And as I said at the outset, the focus on H2 is to step on the gas to increase the execution to the maximum to come as close as possible to the previous FY levels and then definitely on this platform see a sizable and appreciable growth in the coming FY. The trend of fresh order inflows is encouraging as I said in the quarter three itself within a month, we have got orders up to ₹600 crore plus and this is being possible by our increased partnerships, collaboration, diversification, both domestic and international. So, in the last few months we signed an MOU with Etihad Rail, domestically arrangements and MoU with NHAI, NBCC, NMDC, DMRC, SAIL, HUDCO, across the board. So with that we definitely see we are confident that we will continue to leverage our strength for expanding our order book on a steady basis. And currently the order book at ₹6580 crore has a visibility of about 2 and a half odd years. Our aim would be in the coming quarters and the next FY even with the increased execution to keep on expanding the order book and aiming to have an order book of at least a three-year visibility. So that's in a nutshell the way forward as we see it. Thank you.

Moderator: Thank you all for being part of the conference call. If you need any further information or clarification, please e-mail at investors@rites.com. Ladies and gentlemen, this concludes your conference for today. Thank you.

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