Rail Vikas Nigam Limited

Issue Snapshot:

Issue Open: Mar 29 – Apr 03, 2019

Price Band: Rs. 17 – 19 (Rs 0.50 discount to Employees and Retail investors)

*Issue Size: 253,457,280 (Entirely Offer for sale by the President of India, acting through the ministry of railways, Government of India)

Offer Size: Rs.430.87 crs – 481.57 crs

QIB	Upto	126,400,000 eq sh
Non Institutional	atleast	37,920,000 eq sh
Retail	atleast	88,480,000 eq sh
Employee	Upto	657,280 eq sh

Face Value: Rs 10

Book value: Rs 19.48 (Sep 30, 2018)

Bid size: - 780 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity: Rs. 2085.02 cr
Post issue Equity: Rs. 2085.02 cr

Listing: BSE & NSE

Book Running Lead Manager: Yes Securities (India) Limited, Elara Capital (India) Private Limited, IDBI Capital Markets & Securities Limited

Registrar to issue: Alankit Assignments Limited

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	100.00	87.84
Public & Employee	0.00	12.16
Total	**100.0**	**100.0**

Source for this Note: RHP
* Assuming issue subscribed at the higher band

Background & Operations:

Rail Vikas Nigam Ltd (RVNL) is a wholly owned government company, a Miniratna (Category – I) Schedule 'A' Central Public Sector Enterprise, incorporated by the Ministry of Railways ("MoR") as a project executing agency working for and on behalf of MoR. It was incorporated with the objective to undertake rail project development, mobilization of financial resources and implementation of rail projects pertaining to strengthening of golden quadrilateral and port connectivity and raising of extra- budgetary resources for project execution. However, in 2004, the MoR decided that the Company should restrict itself to project execution. The role of its Company for mobilization of finances is restricted to forming of project specific SPVs with private participation. It is in the business of executing all types of railway projects including new lines, doubling, gauge conversion, railway electrification, metro projects, workshops, major bridges, construction of cable stayed bridges, institution buildings etc.

Since RVNL's inception in 2003, MoR has transferred 179 projects to it of which 174 projects are sanctioned for execution. Out of these, 72 projects have been fully completed totalling to Rs 205,672.80 million and the balance are ongoing. It has an order book of Rs 775,042.80 million as on December 31, 2018 which includes 102 ongoing projects. During the financial year ending March 31, 2018, it has completed a total of 885.50 rkm of project length which included 315.20 rkm of doubling and 425 rkm of railway electrification.

RVNL's activities under the various plan heads can be classified as under:
New lines: This includes augmenting the rail network by laying new lines. The objective of laying new lines includes achieving seamless multi-modal transportation network across the country and connecting remote areas.

Doubling: Doubling involves the provision of additional lines by way of doubling the existing routes to enable the Indian Railways to ease out traffic constraints of single line or construction of 3rd/4th line to increase the charted capacity. The Company is a significant contributor to the doubling projects and has been contributing to approximately one third of the total doubling being completed / commissioned on Indian Railways for the last three years. (Source: CARE Report)

Gauge conversion: This includes conversion of meter gauge lines to broad gauge railway lines.

Railway electrification: This includes electrification of current un-electrified rail network and electrification on the new rail network.

Metropolitan transport projects: This includes setting up of metro lines and suburban network in metropolitan cities.

Workshops: This includes manufacturing facilities, and workshops for repairing and manufacturing rolling stock.

Others: This includes but is not limited to construction of traffic facilities, railway safety works (building of sub-ways in lieu of crossings), other electrification works, training works, surveys, construction of bridges including rail over bridges, etc.

RVNL generally works on a turnkey basis and undertake the full cycle of project development from conceptualization to commissioning including stages of design, preparation of estimates, calling and award of contracts, project and contract management, etc. and all stages of project execution upto the stage of commissioning of the new railway lines. Its major client is the Indian Railways. Its other clients include various central and state government ministries, departments, and public sector undertakings.

The break-up of the order book as on December 31, 2018 is as follows:

Sr. No.	Key segments	Length in route kilometres	Order Book Value as of December 31, 2018 (Rs in million)
1	New Line (includes port connectivity)	976.8	307,635.20
2	Doubling	3652.9	277,210.40
3	Gauge Conversion	344.5	11,893.50
4	Railway Electrification	3813.3	39,918.90
5	Metropolitan Transport Projects	156.8	95,935.50
6	Workshops (in numbers)	16.0	26,183.00
7	Others (bridge construction etc.) (in numbers)	15.0	16,266.30
	TOTAL	**8975.2**	**775,042.80**

Objects of Issue:

The objects of the Offer are to (i) to carry out the disinvestment of 252,800,000 Equity Shares held by the Selling Shareholder in the Company, equivalent to 12.12% of RVNL's paid up Equity Share capital of the Company as part of the Net Offer, and 657,280 Equity Shares that has been reserved for Eligible Employees in the Employee Reservation Portion (ii) to achieve the benefits of listing the Equity Shares on the Stock Exchanges. The Company will not receive any proceeds from the Offer and all such proceeds will go to the Selling Shareholder.

Competitive Strengths

Expertise in undertaking all stages of project development and execution from conceptualization to commissioning: RVNL generally works on a turnkey basis and undertake the full cycle of project development from concept to commissioning including stages of design, preparation of estimates, calling and award of contracts, project and contract management etc. It has the expertise in undertaking all nature of railway infrastructure projects. This has also helped build its expertise in executing projects across a wide range of activities. It has contributed to more than 33% of the doubling projects and more than 21% of electrification projects of the total reported by Indian Railways for the last five years (FY13 to FY17). Initially it was undertaking the execution of new lines, doubling, gauge conversion, and railway electrification projects. RVNL's experienced management and execution team gives it a competitive advantage and has contributed significantly in increasing its project execution capabilities. With its 43 project implementation units as on December 31, 2018 across the country, it operates as a client company to the MoR, and work for and on behalf of the Ministry for execution of various nature of railway infrastructure projects.

Established financial track record: RVNL has established a consistent track record of financial performance and growth. Its revenue from operations on consolidated basis for the Financial Year 2016, Financial Year 2017 and Financial Year 2018 and the six-month period ended September 30, 2018 aggregated to Rs 45,398.54 million, Rs59,151.06 million, Rs75,973.58 million and Rs36,228.82 million, respectively. Its net profit was Rs4,290.20 million, Rs4,430.91 million, Rs5,693.60 million and Rs2,536.35 million, respectively, for the same periods. Its revenue from operations has increased at a CAGR of 29.36% from Rs45,398.54 million in the Financial Year 2016 to Rs75,973.58 million in the Financial Year 2018, and its net profit has increased at a CAGR of 15.20% from Rs4,294.34 million in Financial Year 2016 to Rs5,699.20 million in the Financial Year 2018. As on December 31, 2018, its total order book value was Rs775,042.80 million.

Undertaken diverse categories of projects with an asset light model*:* RVNL has, over the years, leveraged its expertise in diverse segments of the railway infrastructure such as doubling, railway electrification, gauge conversion, new line, metro rail projects, workshops/maintenance facilities for railway sector. Each of these segments / sub-segments require specific skill sets and experience which has been developed by the Company for the timely execution of the projects in these sectors. Further, it has six SPVs, with strategic stakeholders to undertake project development, mobilization of financial resources and to implement projects pertaining to strengthening of golden quadrilateral and better connectivity to various ports, which in turn contributes significantly to the total revenue of the Indian Railways. It has recently participated as a stakeholder in a special purpose vehicle, Indian Port Rail Corporation Limited under the Ministry of Shipping which has been formed with undertake maintenance upgradation and modernisation of the port railways as well as providing capacity augmentation wherever required. RVNL works on an asset light model wherein in its contracts, it requires the contractor to provide all the machinery, plants and stores for execution of works. It also relies on the MoR for deputation of manpower to perform supervisory tasks etc.

Empowerment by MoR for sanctioning project estimates and award of contracts*:* RVNL has been authorised by MoR to sanction detailed estimates within prescribed limits and award contracts of any value to its contractors for implementation of projects. This provides an advantage over competitors in railway sector and enables to expedite its delivery timelines and reduce project delays resulting in controlling cost and time overruns. over the years, it has developed a reputation for undertaking diverse projects in a timely manner, which is reflected by its track-record of project execution. Further, the MoU ensures there is minimal delay on account of funding and improves its delivery timelines. In the year 2014, RVNL had commenced the project for workshop for manufacture of flat bogies for LHB design coaches which was completed in less than 18 months. Its initiatives to streamline the systems and procedures through various measures such as introducing a standard bill of quantities for different types of works, awarding composite contracts incorporating all aspects of civil, electrical and S&T works, floating multi-package tenders to reduce multiple evaluations, has greatly reduced the period between assignment of the work to it and the actual commencement of work.

Standardization of operating procedures resulting in faster decision making*:* RVNL has introduced certain standardized operating procedures to streamline and ensure faster decision making and reduction in overall timelines. These measures include preparation of standard bill of quantities for different nature of projects, standard bidding document etc. which are available on the Company's website at www.rvnl.org, ensuring easy access and transparency. The concept of multi packaging of contracts to be awarded ensures the participation of a range of prospective bidders who meet different levels of eligibility criteria. This ensures that the contracts are awarded at the most economical rates and these procedures ensure impartial and transparent decision making.

Experienced Board and Key Managerial Personnel and skilfully trained workforce: RVNL has a diversified Board with Directors having more than 30 years of work experience in the Indian Railways, with specific experience of the construction segment. Each of its senior management team is experienced in the industry and has been with the Company for an average of more than 8 years. Most of its Key Managerial Personnel has been with it on deputation basis. It has achieved a measure of success in attracting an experienced senior management team with operational and technical capabilities, management skills, business development experience and financial management skills.

Business Strategy:

To leverage position as an executing agency in MoR's investment plan for ramping of rail infrastructure*:* For 2018-19, the total capital and development expenditure of railways has been pegged at Rs148,528 crores. Further, 100% FDI has been approved by Government for the activity of Indian Railways – construction, operation & maintenance of the entire railway segment. Since RVNL is an executing agency of the MoR for various infrastructure projects, it plans to leverage its existing knowledge and experience in execution of projects for assignment of further projects from the Indian Railways. This will in turn provide RVNL a platform for greater role in the execution of projects.

Securing of rail infrastructure projects from other ministries/ PSUs*:* Since RVNL has gained expertise in execution of projects, on account of being executing agency for the MoR, it proposes to utilise this experience to obtain orders from other ministries/government departments/PSUs for example strategic lines in border areas and sidings for military use, providing linkages to collieries and other mines etc. owned by PSUs etc., linking of new ports under the Ministry of Shipping to the existing railway network, building of major bridges for Ministry of Road and Surface Transport, metro railways under the Ministry of Urban Development, institution buildings etc.

Focus on high value projects: RVNL has recently been assigned the hill projects in the difficult terrains of the Himalayas for the construction of the new lines between Rishikesh-Karnprayag in Uttrakhand and Bhanupalli – Bilaspur - Beri in Himachal Pradesh. The new line till Beri is likely to be extended upto Ladakh on strategic consideration, which may be considered for transfer to it for execution on concurrent basis. The focus of the government on development of infrastructure is apparent by the increase in budgetary allocations and announcement of new schemes to boost infrastructure spending as well as initiatives taken to increase availability of finance to the sector (Source: CARE Report). Hence, in the coming years, RVNL intends to increase its focus on projects with high value, especially in hilly terrains.

Implementation of railway workshops and factory projects: Indian Railways has seven production units to manufacture locomotives, coaches and wheels and about 50 workshops to undertake periodic overhaul or midlife rehabilitation of rolling stock. Besides, there are a number of loco sheds and carriage and wagon depots for day-to-day maintenance. As the number of different types of rolling stock has been rising and new types of rolling stock with advanced technologies are getting introduced, the existing production units, workshops and maintenance depots are being expanded or being upgraded It has successfully completed seven projects related to construction of workshops including augmentation of production capacity at diesel locomotive works, Varanasi. At present, five further projects for sheds at Latur (Maharashtra), Kanpur (UP), Gaya (Bihar), Sonipat (Haryana) and Vishakhapatnam (Andhra Pradesh) are under execution. An increase in the Indian Railways' policies and budgetary allocation to expand and upgrade the workshops and maintenance depot will provide an opportunity to implement more such projects in the near future.

Industry:

Global Economic Overview:

As per International Monetary Fund (IMF) January 2018 World Economic Outlook (WEO), Global output is estimated to have grown by 3.7 percent in 2017, the global growth forecast for 2018 and 2019 is at 3.9 percent for both the years. The growth rate for emerging market and developing economies is estimated to rise by 4.7 percent in 2017 while it is forecast to rise to 4.9 percent in 2018, 5.0 percent in 2019. This Growth forecast primarily reflects stronger projected activity in emerging Europe and Asia economies for 2017, 2018 and 2019. Global growth is forecast to stabilize at 3.8 percent by 2021. With growth in advanced economies projected to gradually decline toward potential growth rates of about 1.7 percent once economic slack is eliminated, the further pickup in global activity is entirely driven by emerging markets and developing economies. In these countries, growth is projected to increase to 5 percent by the end of the forecast period, with their impact on global activity boosted by their rising world economic weight. This forecast assumes some strengthening of growth in commodity exports, though at rates more modest than in 2000–15 and a gradual increase in India's growth rate resulting from implementation of important structural reforms; continued strong growth in other commodity imports.

India's Economic Performance:

India has become the fastest growing major economy in the world according to the Central Statistics Organization (CSO) and the International Monetary Fund (IMF). According to the International Monetary Fund (IMF), post demonetization, India's growth is projected to rebound to 7.4 percent in FY 2019 and further to 7.8 percent in FY 2020. According to IMF's January 2018 Economy Outlook India's economy is expected to grow by 6.7 in fiscal year 2017-18. The improvement in India's economic fundamentals has accelerated since 2015 with the combined impact of strong government reforms, the inflation focus of the Reserve Bank of India (RBI) supported by global commodity prices. Moody's Investors Service ("Moody's") has upgraded the Government of India's local and foreign currency issuer ratings to Baa2 from Baa3 and changed the outlook on the rating to stable from positive in November 2017. India's sovereign credit rating has been upgraded after a period of 13 years when it was last upgraded in January 2004 to Baa3

Railways:

In 2016, Indian Railways has announced a Rs 856,020 crore capex plan for 2016-20 (five years), 90% more than the combined capital outlay in the previous 15 years. The railway transport infrastructure services industry is expected to witness project commissioning worth Rs 87,590 crore during 2017-19. Out of this, projects entailing an investment of Rs 44,100 crore are expected to come on-stream in 2017-18. The remaining projects worth Rs 43,490 crore are likely to be commissioned in 2018-19. Further, details on railways as a sector, segment wise future project planning for the railways, future projected outlays have been discussed in subsequent chapters. (Source: Indian Railways – Three Year Performance Report 2017.)

Railways in India:

India has the fourth largest railway network in the world with a total network of 67,368 route kilometer (rkm), out of which 25,367 route kilometer (rkm) are electrified lines and with 7,349 stations as of March 2017. It runs nearly 21,000 trains daily; i.e. approximately 13,313 passenger trains that carry more than 2.3 crore passengers and approximately 8,000 freight trains that carry around 3 million tonnes of freight per day. (Source: Indian Railways Statistical Publications 2016-17 – Ministry of Railways (India)) Railway reforms are addressing a wide range of challenges, which includes: Improved customer experience and faster/timely delivery of cargo, introduction of high-technology trains, locomotives, improved terminals, construction of Dedicated Freight Corridors (DFCs), policy initiatives to increase freight traffic, ensuring customer safety elimination of unmanned level crossings, and construction of railway over-bridges/ underbridges, innovative financing mechanisms, Railways of India Development Fund (RIDF), engaging state governments, in participative models for rail connectivity, attracting foreign direct investment (FDI) and ensuring financial sustainability through non-fare revenues. The focus is also on encouraging the participation of the private sector in infrastructure up gradation.

Total Investment Opportunity in Indian Railways

Indian Railways is considered the country's lifeline for transporting passengers as well as cargo. To remain competitive vis-à-vis other transportation modes and to provide optimum level of service to passengers and for freight, there is an acute need to invest in railway infrastructure to augment capacity to expand the railway network. Keeping in mind the above, the Government of India (GOI) has taken steps in this direction by increasing the outlay on capital expenditure over the past few years.

Past few years Capital Investment Budget v/s Actual (Rs in Crore)

Year	Budget	Actual	% of Budget
Average 2009-14 (per annum)	48,100	45,979	96%
2014-15	65,445	58,718	90%
2015-16	100,011	93,795	94%
2016-17*	121,000	111,000	92%
2017-18 Plan	131,000	-	-
2018-19 Plan	148,528	-	-

**FY2016-17 actual investment is provisional data. (Source: http://www.indianrailways.gov.in, Budget Data)*

Investment outlook up to FY2020 and key segments that will drive investments

Considering the fact that Railways need to spend on infrastructure to be competitive enough to be a preferred mode of transportation there are many investment opportunities that could be expected from the sector. Indian Railways envisages a prospective investment of Rs 856,020 Crore (US$ 130.76 billion) during the five years i.e. during 2015-16 to 2019-20, as detailed below:

Medium Term Investment Plan	Rs in Crore
Network Decongestion (including DFC + electrification, Doubling + electrification & traffic facilities)	199,320
Network Expansion (including electrification)	193,000
National Projects (North Eastern & Kashmir connectivity projects)	39,000
Safety (Track renewal, bridge works, ROB, RUB and S&T)	127,000
Information Technology / Research	5,000
Rolling Stock (Locomotives, coaches, wagons – production & maintenance)	102,000
Passenger Amenities	12,500
High Speed Rail & Elevated corridors	65,000
Station redevelopment + logistic parks	100,000
Others	13,200
Total	**856,020**

Modes of funding the future investment

As per the projections provided by Indian Railways, future funding would be sourced through the following sources:

Five Years Fund Requirement	In Rs Lakh Crore	Percentage Share
Gross Budgetary Support	2.6	29.91%
Internal Generation	1.0	11.68%
JVs	1.2	14.02%
PPP/Partnership	1.3	15.19%
Debt	2.5	29.21%
Total	**8.56**	

Role of IRFC & RVNL for raising fund:

- Indian Railway Finance Corporation (IRFC) is the dedicated financing arm of the Indian Railways for mobilizing funds from domestic as well as overseas Capital Markets. The primary objective of IRFC is to meet the predominant portion of 'Extra Budgetary Resources' (EBR) requirement of the Indian Railways through market borrowings at the most competitive rates and terms.
- IRFC's cumulative funding to rail sector has crossed ₹1.80 lakh crore as of 31st March, 2017 and is all set to cross ₹2.20 lakh crore by the end of March, 2018.
- IRFC has been assigned the task of funding Railway Projects through Institutional Finance to the extent of ₹1.50 Lakh Crore by 2019-20, which is part of the government investment plan as mentioned above.
- While major portion of funds raised by IRFC has been to finance the rolling stock requirements of the railways, IRFC has also been lending to various entities in Railway sector like Rail Vikas Nigam Limited (RVNL), Railtel, Konkan Railway Corporation Limited (KRCL), Pipavav Railway Corporation Limited (PRCL) etc. for project execution.
- Originally it had been planned that RVNL would also mobilize resources from Financial Institutions, Multilateral agencies, involvement of private stakeholders for funding of railway projects. While RVNL has been restricted by the Ministry from raising fund directly, RVNL has been responsible for raising of funds through the SPV route. Accordingly, with an investment of Rs. 624.69 crore as equity in various SPVs formed along with strategic partners, RVNL is executing projects of a value of Rs. 6,139 crore by contribution of equity by other partners and by raising debts from Financial Institutions.

Opportunity and Investment Outlook: -

More than 150 port rail connectivity projects have been identified which will mobilize investment of more than Rs4 lakh Crore and generate approximately 1 crore new jobs, including 40 lakh direct jobs, over a period of 10 years. These projects are expected to generate annual logistics cost savings of close to Rs 35,000 Crore.

Port – Rail Connectivity: While the Railways want to improve freight traffic, at the same time ports also want to increase their cargo handling capacity. A number of projects have been implemented or planned to improve rail-port connectivity

National Rail Plan – 2030: The Ministry of Railways has decided to develop National Rail Plan, 2030 to provide a long term perspective to plan for augmenting the railway network, in consultation with several state governments, public representatives and other relevant Central Ministries. NRP-2030 will endeavour to harmonise and integrate the rail network with other modes of transport and create synergy for achieving a seamless multi modal transportation network across the country.

Key Concerns:

RVNL majorly depends on the MoR for sourcing of its projects*:* RVNL operates as a project executing agency, working for and on behalf of MoR which assigns projects to it. Since its incorporation, the MoR has transferred 179 projects to it of which 174 projects are sanctioned for execution, on an assignment basis. The projects may broadly be classified under the heads of new lines, doubling, gauge conversion, railway electrification, metropolitan transport projects including metros, workshops and other allied projects. The MoR has recently been assigning certain works to other PSUs. Further, in the review meeting of MoR dated November 21, 2018, Railway Board has been directed to reconsider the practice of giving railway projects/works on nomination basis to the Company and to consider giving projects/works to CPSUs through limited competitive tenders, as per the GFR guidelines on turnkey basis. There may be no assurance that the MoRwill continue to assign projects to RVNL for execution. The Company has since its inception, not evolved for any other model of sourcing projects and non-transfer of projects on assignment basis by MoR could seriously affect its sustainability. In the event of MoR deciding to go for competitive bidding for giving projects to CPSUs, its business growth, financial condition and results of operations will be adversely affected.

RVNL completely depend on the project sponsoring authorities like MoR and state governments etc: For RVNL's project financing, it is dependent on various project sponsoring authorities such as the MoR and state governments, which periodically reimburse the expenditures incurred by the Company on execution of projects. Any delay in reimbursements of expenditures on works undertaken by it may negatively impact cash flow of the Company. Further, such delays may result into its inability to make timely payment to its vendors/executing agencies. The financial condition of RVNL and successful completion of its projects of MoR, is completely dependent upon timely provision of funds from MoR for execution of projects. Further, for execution of projects of SPVs of which is execution partners, it solely depends on respective SPVs for providing timely and adequate funds for execution. In the event that any SPV is unable to provide required funds for execution in a timely manner, the receivables from SPVs accumulate which, in turn, adversely affects its cash flow and performance not only in respect of projects pertaining to those SPVs but also other projects under execution by it. Similarly, for some of projects jointly funded by MoR and respective state governments, there is delay in reimbursement of funds by respective state governments. Such delays in reimbursement may adversely impact the implementation of projects as well as RVNL's financial performance.

Largely depend on MoR for funds and manpower supply*:* For the successful execution of RVNL's projects, it depends on the MoR to allocate funds to it which may at times get delayed due to non-availability of funds for infrastructure development with Indian Railways. In the past, there has been instances of delay in fund allocations by MoR. It is largely dependent on the MoR for funds since they assign a fixed budget to the Company each year for undertaking the projects. There may be insufficient funds for starting a project on account of aforementioned delays in allocation of funds, fixed budget and lack of alternative sources of funding. This may result in delay in execution of projects which will limit the number of projects that can be taken up by the Company. This may have an adverse effect on the financial condition and results of operations of the Company. RVNL may therefore be unable to execute the project in a timely manner due to its significant dependence on the MoR for provision of funds as well as manpower. This may result in an adverse effect on its business growth, financial condition and results of operations.

Depend on MoR for allotment of rails and sleepers for laying of track for new line, gauge conversion and doubling projects: RVNL is allotted rails and sleepers for laying of tracks for its projects viz., new line, gauge conversion and doubling by the MoR. However, in the recent past, there has been instances where MoR has not allotted rails to the Company as per its requirements, which has resulted in delays in execution of projects. The company has requested MoR to provide with rails for the project, however, there has been significant delays in allotments of the same. There can be no assurance that such delays will not occur in future as well. This could adversely affect RVNL's order book position, business, financial condition and results of operation.

Two of the projects viz. the hill railway projects of Rishikesh Karnprayag new line project and Bhanupalli- Bilaspur Beri new line project constitute a substantial portion of the order book: RVNL's total order book value as on December 31, 2018 is Rs 775,042.80 million of which, two projects viz. Rishikesh Karnprayag new line project and Bhanupalli- Bilaspur Beri new line project constitute Rs150,017.70 million and Rs 64,135.10 million, respectively, respectively and constitutes 27.63% of its order book. Any delay on account of land acquisitions, forest and environmental clearance issues etc. or delay in timely and adequate financing of these projects by MoR, could adversely affect the order book position, business, financial condition and results of operation.

Four metro projects currently ongoing in Kolkata has been facing delays*:* Four metro projects in Kolkata viz., Baranagar - Barrackpore & Dakshineswar, Dum Dum Airport – New Garia via Rajerhat, Joka - Binoy Badal Dinesh Bagh via Majerhat and Naupara (extension) – Baranagar Extension of Dumdum were sanctioned to RVNL in 2010-2011 and assigned to the Company for execution. Out of these projects, execution has been taken up in three of the four projects (excluding Baranagar – Barrackpore project). However, the work has been significantly delayed on account of issues related to land acquisition, removal of encroachments, utility shifting etc. Any delay in decision by the state government or any adverse decision in relation to these projects may affect the order book position, business, financial condition and results of operation.

Delay in land acquisition, forest/wildlife related clearances and approvals of plans and drawings, granting of power and traffic blocks for projects may lead to time and cost overruns, resulting in loss of reputation: RVNL is completely dependent on the MoR for securing various approvals including land acquisition process for its projects. In agreements entered into by it for projects assigned to the company by MoR or projects being executed on behalf of its SPVs, it secure approvals for the projects by liaising with MoR, as per the company's MoU. The decision to acquire land and undertake a project involves an assessment of the size and location of the land, the willingness of landowners to sell the land for the project, the availability and cost of financing such acquisitions, the existence of encumbrances, law and order issues in removing encroachments on railway land, government directives on land use, and the ability to obtain permits and approvals for land acquisition and development. Any failure or delay by the MoR in identifying suitable lands in a timely manner or any failure to acquire suitable land or obtain approvals including land-related approvals for the projects may cause RVNL to change, delay or abandon the project, which in turn could adversely affect its competitive position, business, financial condition, results of operation and reputation.

RVNL is subject to risks associated with the performance of contractors, sub-contractors and consultants being involved in the projects: For timely completion of the projects undertaken by RVNL, it depends on the performance of its contractors, sub-contractors and consultants engaged for adhering to the conditions of quality and other obligations. Any failure by the contractors, sub-contractors and consultants in performance of their respective obligations could result in delay or failure in timely execution or delivery of its projects. In the past, it has faced delays in completion of its projects due to non-performance of its contractors. Despite best efforts for supervision and quality assurance plans for project execution, the contractors and sub-contractors may use poor quality or defective materials or unskilled manpower, and as a result, deliver the project with a substandard quality. Furthermore, RVNL's contractors and consultants may not report safety concerns. This may lead to an increase in the cost of the projects, which could adversely affect its business, reputation, financial condition, results of operations and prospects and its relationships with its clients.

Objection from Government of Odisha to involvement in the project execution for Group Companies in the State may adversely impact the business and financial condition: RVNL has contributed 38.62% and 31.50% equity in its Group Companies in the State of Odisha i.e. Haridaspur Paradip Railway Company Limited and Angul Sukinda Railway Limited respectively. Though the Company has been associated with the projects being implemented by these SPVs from May, 2003 and November, 2006 respectively, in November 2017 the Government of Odisha has objected and claimed conflict of interest with respect to its involvement as the project executing agency, since RVNL has also contributed equity in these Group Companies. In the event they do not change this opinion, it may have an adverse impact on its business and financial conditions since it may not be able to be execute these projects which will affect its revenues.

Highly dependent on the expertise of Key Management Personnel and skilled workforce and management for operations: The successful completion of RVNL's projects and the running of its day-to-day operations and the planning and execution of its business strategy depends significantly on its skilled and efficient Key Managerial Personnel and other key personnel. As a public sector undertaking, the GoI policies regulate and control the emoluments, benefits and perquisites that it pays to its employees, including key managerial and technical personnel and these policies may not permit it to pay at market rates. In case any of these executive directors or key management personnel resigns or ceases to be associated with the Company, then RVNL may take a longer time to find or may not be able to identify the requisite person for such positions. Further, failure to perform by the KMPs or senior management as required or a loss of key members of its senior management or other key team members, particularly to competitors, could have an adverse effect on its business and results of operations.

Do not maintain insurance policies for assets*:* RVNL's premises and operations are subject to certain risks, such as natural disasters, fire, burglary, earthquake and theft. However, it has not obtained any insurance policy for any of its assets on its leased premises. These risks could expose it to liability resulting out of any damage to its assets, in the event any such events were to occur, which will have an adverse impact on its financial conditions.

Properties are not owned by RVNL but are taken on leasehold basis: The premises from which RVNL operates including its Registered and Corporate Office and its project implementation units and has been taken on leasehold basis from various third parties are not owned by it. There can be no assurance that it will be able to renew such lease agreements on terms that are favourable or acceptable to it or at all. In the event that it is unable to obtain an extension or the lease is terminated due to any reason, it may have to vacate the premises in case any dispute arises with the owner of the premises and relocate which may have an adverse effect on it financial conditions.

RVNL has unsecured loans that may be recalled by the lenders at any time*:* RVNL has availed an unsecured loan from IRFC which may be recalled by them at any time. While for payment of interest and principal on the borrowing from IRFC, MoR would make available to the Company the required funds, the debt servicing will only pass through RVNL books. In the event that any lender does not provide further funding to it, the Company would need to find alternative sources of financing, which may not be available on commercially reasonable terms, or at all. Further, it may not have adequate working capital to undertake new projects or complete the ongoing projects. As a result, any such demand may materially and adversely affect its cash flows and results of operations.

RVNL may be affected by competition law in India and any adverse application or interpretation of the Competition Act could in turn adversely affect the business*:* The Competition Act was enacted for the purpose of preventing practices that have or are likely to have an adverse effect on competition in India and has mandated the CCI to separate such practices. Under the Competition Act, any arrangement, understanding or action, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition is void and attracts substantial penalties. The Competition Act aims to, among other things, prohibit all agreements and transactions which may have an appreciable adverse effect in India. RVNL is not currently party to any outstanding proceedings, nor has it received notice in relation to non-compliance with the Competition Act or the agreements entered into by it. However, if it is affected, directly or indirectly, by the application or interpretation of any provision of the Competition Act, or any enforcement proceedings initiated by the CCI, or any adverse publicity that may be generated due to scrutiny or prosecution by the CCI or if any prohibition or substantial penalties are levied under the Competition Act, it would adversely affect the business, financial condition, results of operations and prospects.

Some of the business activities are subject to seasonal and other fluctuations that may affect the cash flows and business operations: RVNL's business and operations are affected by seasonal factors, which may require suspension or curtailment of operations, in particular, the monsoon season in the second quarter of each fiscal. During periods of curtailed activity due to adverse weather conditions, it may continue to incur operating expenses, whilst its infrastructure project related activities such as laying down railway lines, track doubling etc. may be delayed or reduced. Additionally, construction and infrastructure services witness a decrease during the monsoon. Such fluctuations may impact its completion of projects in due time, adversely affect its revenues, cash flows, results of operations and financial conditions.

Changing laws, rules and regulations and legal uncertainties, including adverse application of tax laws and regulations, may adversely affect the business, results of operations and cash flows: The regulatory and policy environment in which RVNL operates is evolving and subject to change. Such changes, may adversely affect the business, results of operations, cash flows and prospects, to the extent that it is unable to suitably respond to and comply with any such changes in applicable law and policy. RVNL has not determined the impact of such legislations on its business. In addition, unfavourable changes in or interpretations of existing, or the promulgation of new laws, rules and regulations including foreign investment laws governing its business, operations and group structure could result in being deemed to be in contravention of such laws or may require to apply for additional approvals. It may incur increased costs and other burdens relating to compliance with such new requirements, which may also require significant management time and other resources, and any failure to comply may adversely affect its business, results of operations, cash flows and prospects.

Business is substantially affected by prevailing economic, political and other prevailing conditions in India: RVNL is incorporated in India, and all the projects executed by it as well as its employees are located in India. As a result, it is highly dependent on prevailing economic conditions in India and its results of operations are significantly affected by factors influencing the Indian economy. Any slowdown or perceived slowdown in the Indian economy, or in specific sectors of the Indian economy, could adversely impact the business, results of operations and financial condition and the price of the Equity Shares.

GoI will continue to control post listing of Equity Shares: Upon the completion of this Offer, the GoI will hold approximately 87.84% of RVNL's post-Offer paid up equity share capital. Consequently, the President of India, acting through the MoR will continue to control it and will have the power to elect and remove directors and determine the outcome of most proposals for corporate action requiring approval of its Board or shareholders, such as proposed five-year plans, revenue budgets, capital expenditure, dividend policy, transactions with other GoI controlled companies. Under the Companies Act, this will continue to be a public sector undertaking which is owned and controlled by the President of India. This may affect the decision making process in certain business and strategic decisions taken by the Company going forward.

Profit & Loss **Rs in million**

Particulars	H1FY19	FY18	FY17	FY16
Revenue from operations	36228.8	75973.6	59151.1	45398.5
Other Income	1475.2	2249.3	2477.7	1804.4
Total Income	**37704.0**	**78222.9**	**61628.8**	**47202.9**
Total Expenditure	**34613.9**	**72085.7**	**56333.2**	**43225.0**
Expenses on Operations	33511.1	70239.7	54678.5	41889.4
Employee benefits expenses	776.0	1339.9	1170.2	967.1
Other Expenses	225.1	429.4	423.3	308.8
CSR and R&D Expenses	101.7	76.7	61.2	59.8
PBIDT	**3090.2**	**6137.2**	**5295.6**	**3977.9**
Interest	205.6	446.6	354.5	230.8
PBDT	**2884.6**	**5690.6**	**4941.1**	**3747.1**

Depreciation	27.1	48.4	50.2	46.7
PBT	2857.5	5642.3	4890.9	3700.4
Tax (incl. DT & FBT)	564.9	941.1	998.3	695.3
Current tax	585.5	1186.6	1032.5	777.7
Deferred tax (net)	-20.6	-245.5	-34.2	-82.4
Reported Profit After Tax before Minority Interest	2292.7	4701.1	3892.5	3005.1
Less: Minority Share in Profits	243.5	998.1	542.1	1289.3
Adj. PAT	**2536.2**	**5699.2**	**4434.6**	**4294.3**
EPS (Rs.)	**1.22**	**2.7**	**2.1**	**2.1**
Equity	20850.2	20850.2	20850.2	20850.2
Face Value	10.0	10.0	10.0	10.0
OPM (%)	**4.5**	**5.1**	**4.8**	**4.8**
PATM (%)	**7.0**	**7.5**	**7.5**	**9.5**

Balance Sheet: **Rs in million**

Particulars	As at Sep 30,2018	FY18	FY17	FY16
Assets				
Non-Current Assets	**34768.0**	**37566.6**	**29586.2**	**22126.4**
Property, Plant and Equipment	2,488.61	2487.6	75.7	59.6
Other Intangible assets	0.5	1.1	0.1	0.1
Intangible assets under development	273.2	211.4	127.3	55.8
Investments in Joint Ventures	12465.5	12221.8	10785.5	10138.5
Investments	99.7	100.0	100.0	100.0
Lease Receivables	14798.7	17195.3	11467.6	6367.7
Loans	68.7	64.8	65.6	48.9
Others	3894.9	4,626.32	4,914.25	4,971.83
Deferred tax assets (Net)	676.2	655.63	409.61	374.97
Other non-current assets	2.1	2.7	1,640.56	8.98
Current assets	**52556.1**	**48118.9**	**59009.6**	**200030.3**
Project-Work-in-Progress	61.8	19.2	7662.6	148240.5
Trade receivables	11767.0	9352.9	2789.5	4807.6
Lease Receivables	2626.5	2413.3	2004.3	1089.8
Cash and cash equivalents	507.7	3428.5	12546.0	13776.2
Bank Balances other than above	12212.6	10600.0	14500.0	16550.0
Loans	76.2	74.2	10.6	10.5
Others	3251.2	4521.0	4412.2	2212.2
Current Tax Asset (Net)	46.3	98.9	105.1	74.7
Other current assets	22006.9	17,610.88	14,979.28	13,268.78
Total Assets	**87324.1**	**85685.5**	**88595.7**	**222156.8**
Equity & Liabilities				
Shareholders' Funds	**40621.2**	**39252.5**	**35568.8**	**34224.3**
Equity Share Capital	20850.2	20850.2	20850.2	20850.2
Other Equity	19771.0	18402.3	14718.6	13374.1
Non-Current Liabilities	**23225.3**	**26832.2**	**24457.7**	**26315.9**
Borrowings	19633.5	22591.5	24368.8	26240.8
Other financial liabilities	3225.4	3748.3	0.0	0.0
Provisions	81.7	91.6	88.9	75.1
Other non-current liabilities	284.7	400.8	0.0	0.0

Current Liabilities	**23477.7**	**19600.8**	**28569.3**	**161616.6**
Trade payables	1489.4	684.5	1098.9	905.0
Other Financial Liabilities	9615.6	8912.8	9121.9	7661.7
Other current liabilities	11724.9	9423.5	17939.5	152803.7
Provisions	612.7	451.1	408.9	229.8
Current Tax liability (Net)	35.1	128.9	0.0	16.5
Total Equity & Liabilities	**87324.1**	**85685.5**	**88595.7**	**222156.8**

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 3075 3450 Compliance Officer: Binkle R. Oza Email: compliance officer@hdfcsec.com Phone: (022) 3045 3600
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