

Rail Vikas Nigam (RVNL)

SELL

International orders to come

Summary

RVNL Q3FY25 PAT was below our estimates by 10%, this was due to weak execution and slower government capex spending. RVNL has guided for flat revenue at Rs220bn for FY25 and expects EBITDA margins in the range of 5.5-6%. The order book stands at Rs970bn, which is 4x TTM revenue, with the share of competitive bid projects increasing to 45%+. RVNL has bid for multiple international orders and anticipates securing new projects from the international market. We will monitor execution improvements and margin expansion. Following the results, we have revised our rating from HOLD to SELL and arriving at TP of Rs325, factoring in the weak 9MFY25 performance. At this TP, RVNL's implied multiple stands at 52x FY27E EPS.

Key Highlights and Investment Rationale

- **Q3FY25 Snapshot:** Revenue decreased by 3% YoY to Rs45bn and EBITDA in Q3FY25 was Rs2.4bn down by 4% YoY, EBITDA margin at 5.2%. PAT stood at Rs3.1bn -13%. Other Income stood at Rs2.7bn.
- **Bidding Pipeline:** The Company plans to bid for more Metro projects and participate in upcoming BoT projects from NHAI. Additionally, it has signed multiple MoUs with international countries like Peru and Turkey for railway projects and is also partnering for solar projects. The company expects to bid for orders worth Rs800bn and has already submitted bids for certain projects, with results expected for orders worth Rs100-120bn.
- **Guidance:** The Company maintains its revenue guidance at Rs21bn for FY25E and aims to sustain the same level for FY26E. For FY27E, revenue is expected to be in the range of Rs27-28bn. The company also expects EBITDA margins to remain stable, with improvements anticipated going forward.

TP	Rs325
CMP	Rs377
Potential upside/downside	-14%
Previous Rating	HOLD

Price Performance (%)			
	-1m	-3m	-12m
Absolute	(11.5)	(12.6)	41.7
Rel to Sensex	(10.7)	(10.5)	37.3

V/s Consensus			
EPS (Rs)	FY25E	FY26E	
IDBI Capital	7	7	8
Consensus	7	8	9
% difference	(1.4)	(10.3)	(5.9)

Key Stock Data	
Bloomberg/Reuters	RVNL IN / RAIV.BO
Sector	Infrastructure
Shares o/s (mn)	2,085
Market cap. (Rs mn)	786,574
3-m daily avg Trd value(Rs mn)	295.4
52-week high / low	Rs647 / 213
Sensex / Nifty	75,939 / 22,933

Shareholding Pattern (%)	
Promoters	72.8
FII	5.1
DII	6.2
Public	15.9

Financial snapshot

Year	FY23	FY24	FY25E	FY26E	FY27E
Revenue	2,02,816	2,18,892	2,20,021	2,22,570	2,44,226
Change (yoy, %)	5	8	1	1	10
EBITDA	12,468	13,528	12,033	13,169	15,486
Change (yoy, %)	5	9	(11)	9	18
EBITDA Margin(%)	6.1	6.2	5.5	5.9	6.3
Adj.PAT	14,206	15,745	14,691	15,534	17,185
EPS (Rs)	7	8	7	7	8
Change (yoy, %)	20.1	11	(7)	6	11
PE(x)	54.6	49	53	50	45
Dividend Yield (%)	1	1	1	1	1
EV/EBITDA (x)	66	61	67	62	52
RoE (%)	21	20	16	15	15
RoCE (%)	9	9	8	8	8

Source: IDBI Capital Research

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Conference call highlights

- The company's order book stands at Rs970bn, with Rs476bn from the Ministry of Railways and the remaining Rs490bn from other segments such as Metro, Highways BoT, Irrigation, and Solar. International orders currently account for Rs45bn, representing 10% of the bidding segment, and the company aims to increase this to 40-50% in the future.
- Bidding Pipeline – The Company plans to bid for more Metro projects and participate in upcoming BoT projects from NHAI. Additionally, it has signed multiple MoUs with international countries like Peru and Turkey for railway projects and is also partnering for solar projects. The company expects to bid for orders worth Rs800bn and has already submitted bids for certain projects, with results expected for orders worth Rs100-120bn.
- Kyrgyzstan Railway – The government of Kyrgyzstan is working on the project's financial aspects, with challenges related to lending rates. Progress is expected soon.
- The company maintains its revenue guidance at Rs21bn for FY25E and aims to sustain the same level for FY26E. For FY27E, revenue is expected to be in the range of Rs27-28bn. The company also expects EBITDA margins to remain stable, with improvements anticipated going forward.
- The Vande Bharat order is progressing smoothly and on schedule. The plan includes 16 to 24 coaches, with changes in design as per railway requirements. A currency extension of 8 to 9 months has been granted, pushing the timeline to September–October 2025. The first prototype, consisting of 16 coaches only, is expected in the first half of the next year, specifically in H1FY26. The factory is fully prepared for manufacturing.
- Bharat Net Order Status – The Company has received the LOA for this order worth Rs132bn. It has deposited the performance security, and groundwork has been completed. The EBITDA margins for this order are favorable.
- During the quarter, the company received a profit of Rs569.2mn from its joint venture with Kinet RVNL. Moving forward, the JV is expected to share higher profits as revenue generation begins next year.

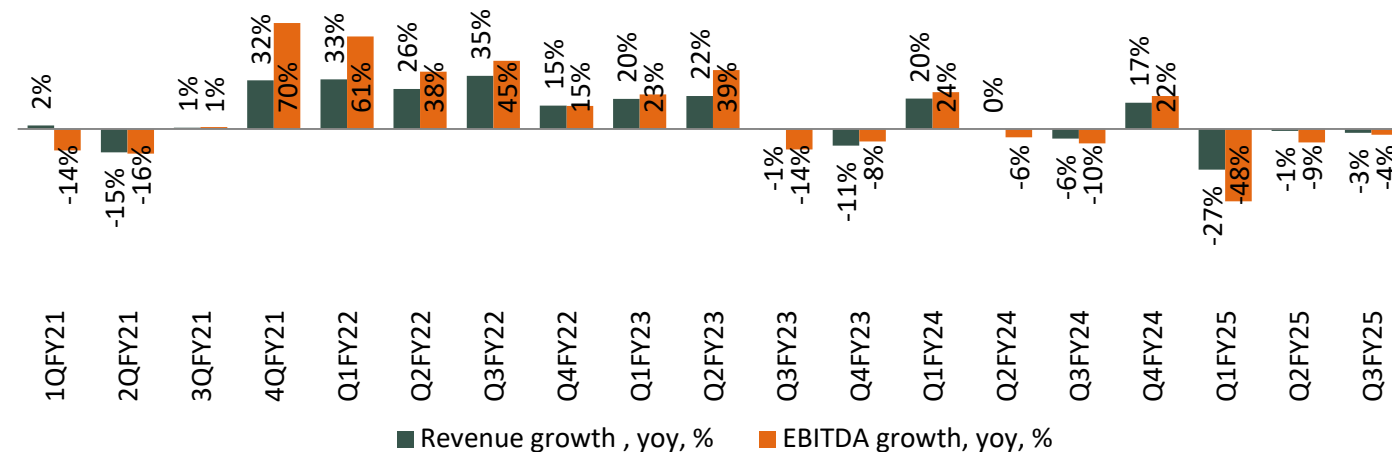
Exhibit 1: Quarterly Snapshot

(Rs mn)

Financial snapshot	Q3FY25	Q3FY24	YoY Chg (%)	Q2FY25	QoQ Chg (%)
Net Sales	45,674	46,893	-3	48,550	-6
EBIDTA	2,393	2,491	-4	2,715	-12
EBITDA margin (%)	5.2	5.3	-7bps	5.6	-35bps
Other income	2,687	3,276	-18	2,811	-4
PBIDT	5,080	5,767	-12	5,526	-8
Depreciation	74	48	54	74	0
Interest	1,446	1,394	4	1,406	3
Pre-tax profit	4,129	4,626	-11	3,893	6
Tax	1,013	1,040	-3	1,024	-1
Tax Rate	25	22	206bps	26	-177bps
Profit after tax	3,116	3,586	-13	2,869	9

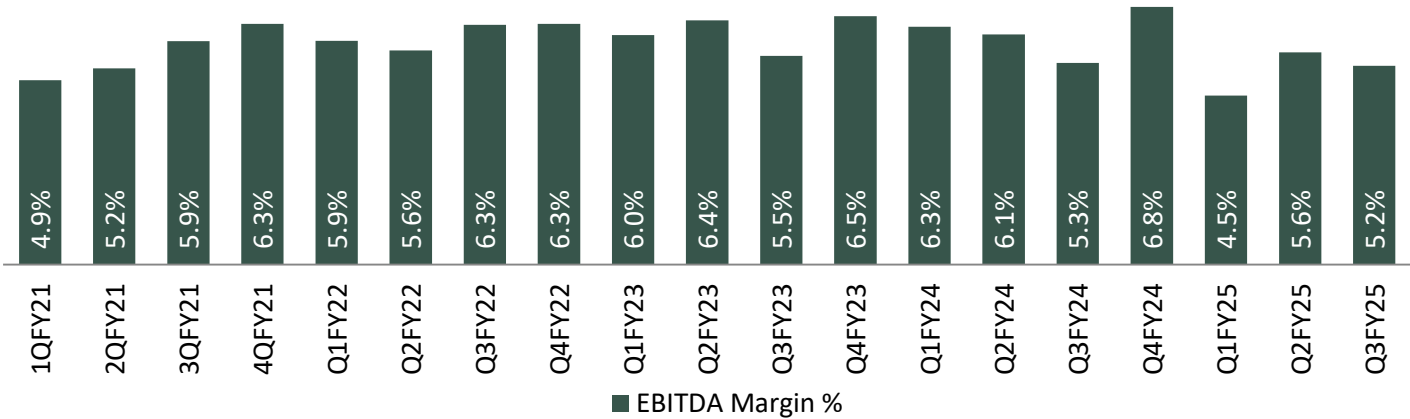
Source: Company

Exhibit 2: Revenue -3% YoY & EBITDA -4% YoY.



Source: Company

Exhibit 3: EBITDA margin at ~5.2%



Source: Company

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	1,93,817	2,02,816	2,18,892	2,20,021	2,22,570	2,44,226
<i>Change (yoy, %)</i>	26	5	8	1	1	10
Operating expenses	(1,81,987)	(1,90,348)	(2,05,364)	(2,07,988)	(2,09,400)	(2,28,741)
EBITDA	11,831	12,468	13,528	12,033	13,169	15,486
<i>Change (yoy, %)</i>	34	5	9	(11)	9	18
<i>Margin (%)</i>	6.1	6.1	6.2	5.5	5.9	6.3
Depreciation	(209)	(223)	(209)	(224)	(239)	(254)
EBIT	11,622	12,245	13,319	11,809	12,930	15,232
Interest paid	(5,637)	(5,814)	(5,685)	(5,114)	(5,114)	(5,114)
Other income	9,038	11,551	12,905	12,635	12,623	12,494
Pre-tax profit	15,022	17,982	20,539	19,330	20,440	22,612
Tax	(3,195)	(3,776)	(4,794)	(4,639)	(4,906)	(5,427)
<i>Effective tax rate (%)</i>	21.3	21.0	23.3	24.0	24.0	24.0
Minority Interest	-	-	-	-	-	-
Net profit	11,827	14,206	15,745	14,691	15,534	17,185
Exceptional items	-	-	-	-	-	-
Adjusted net profit	11,827	14,206	15,745	14,691	15,534	17,185
<i>Change (yoy, %)</i>	19	20	11	(7)	6	11
EPS	5.7	6.8	7.6	7.0	7.5	8.2
Dividend per sh	1.8	2.2	2.4	2.3	2.4	2.7
<i>Dividend Payout %</i>	32.3	32	32	32	32	32

Balance Sheet

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Shareholders' funds	63,247	73,251	87,457	97,408	1,07,931	1,19,572
Share capital	20,850	20,850	20,850	20,850	20,850	20,850
Reserves & surplus	42,397	52,401	66,607	76,558	87,081	98,722
Total Debt	63,154	60,306	55,158	57,458	57,458	57,458
`Other liabilities	3,224	6,245	7,711	7,575	7,658	8,361
Curr Liab & prov	71,030	44,421	45,795	34,027	34,224	36,913
Current liabilities	70,743	44,139	45,406	33,638	33,834	36,523
Provisions	287	283	389	389	389	389
Total liabilities	1,37,408	1,10,972	1,08,663	99,060	99,339	1,02,731
Total equity & liabilities	2,00,655	1,84,224	1,96,120	1,96,468	2,07,270	2,22,303
Net fixed assets	3,807	3,560	4,604	5,929	7,029	8,129
Investments	18,097	19,824	24,052	20,694	20,694	20,694
Other non-curr assets	31,373	70,386	70,006	61,251	61,670	65,230
Current assets	1,47,378	90,454	97,458	1,08,595	1,17,878	1,28,251
Inventories	499	589	647	647	647	647
Sundry Debtors	12,181	13,466	15,494	4,828	15,675	16,741
Cash and Bank	68,235	18,533	11,041	21,387	21,121	26,097
Loans and advances	66,463	57,865	70,276	81,732	80,434	84,766
Total assets	2,00,655	1,84,224	1,96,120	1,96,468	2,07,270	2,22,303

Cash Flow Statement

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	15,022	17,982	20,539	19,330	20,440	22,612
Depreciation	-	-	-	-	-	-
Tax paid	(2,693)	(3,949)	(4,661)	(4,810)	(4,905)	(5,420)
Chg in working capital	45,685	(27,985)	(20,832)	905	(8,843)	1,616
Other operating activities	-	-	-	-	-	-
Cash flow from operations (a)	58,014	(13,953)	(4,954)	15,425	6,692	18,808
Capital expenditure	(351)	247	(1,044)	(1,325)	(1,100)	(1,100)
Chg in investments	(795)	(1,727)	(4,228)	3,358	-	-
Other investing activities	-	-	-	-	-	-
Cash flow from investing (b)	(1,146)	(1,480)	(5,272)	2,033	(1,100)	(1,100)
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	6,327	(2,848)	(5,148)	2,300	-	-
Dividend (incl. tax)	(3,816)	(4,583)	(5,079)	(4,740)	(5,012)	(5,544)
Chg in minorities	-	-	-	-	-	-
Other financing activities	-	-	-	-	-	-
Cash flow from financing (c)	2,512	(7,431)	(10,228)	(2,440)	(5,012)	(5,544)
Net chg in cash (a+b+c)	59,380	(22,864)	(20,453)	15,018	580	12,164

Financial Ratios

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Book Value (Rs)	30	35	42	47	52	57
Adj EPS (Rs)	5.7	6.8	7.6	7.0	7.5	8.2
Adj EPS growth (%)	19	20	11	-7	6	11
EBITDA margin (%)	6.1	6.1	6.2	5.5	5.9	6.3
Pre-tax margin (%)	7.8	8.9	9.4	8.8	9.2	9.3
Net Debt/Equity (x)	-0.1	0.6	0.5	0.4	0.3	0.3
ROCE (%)	9	9	9	8	8	8
ROE (%)	20	21	20	16	15	15

DuPont Analysis

Asset turnover (x)	1.1	1.1	1.2	1.1	1.1	1.1
Leverage factor (x)	2.9	2.8	2.4	2.1	2.0	1.9
Net margin (%)	6.1	7.0	7.2	6.7	7.0	7.0

Working Capital & Liquidity ratio

Inventory days	1	1	1	1	1	1
Receivable days	23	24	26	8	26	25
Payable days	4	12	4	4	4	4

Valuations

Year-end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
PER (x)	65.6	54.6	49.3	52.8	49.9	45.1
Price/Book value (x)	12.3	10.6	8.9	8.0	7.2	6.5
EV/Net sales (x)	4.0	4.0	3.7	3.7	3.6	3.3
EV/EBITDA (x)	65.1	65.6	60.6	67.5	61.7	52.1
Dividend Yield (%)	0.5	0.6	0.7	0.6	0.6	0.7

Source: Company; IDBI Capital Research

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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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