



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

No. RITES/SECY/NSE
Date: November 08, 2023

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
Scrip Code- RITES	Scrip Code- 541556

Sub: Outcome of investors/analysts meet - Transcript of the Conference Call held to discuss Financial Results for quarter and half year ended 30th September, 2023

Ref: Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015

Dear Sir/Madam,

Please find enclosed herewith Transcript of the Conference call with analysts and investors held on Wednesday, November 01, 2023 to discuss the Financial Results of the Company for the quarter and half year ended 30th September, 2023.

You are requested to take this information on record.

Thanking You,

Yours faithfully,
For RITES Limited

Nikhil Agarwal
Company Secretary & Compliance Officer
Membership No.: A42626

Transforming to GREEN

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CIN: L74899DL1974GOI007227



“RITES Limited
Q2 FY '24 Earnings Conference Call”
November 01, 2023



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

MODERATOR: **MR. HARSHIT KAPADIA–ELARA SECURITIES PRIVATE
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the RITES Q2 FY '24 Earnings Call hosted by Elara Securities Private Limited. As a reminder, all participants' will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand over the conference over to Mr. Harshit Kapadia from Elara Securities Private Limited. Thank you, and over to you, sir.

Harshit Kapadia: Thank you, Malcolm. Good morning, everyone. On behalf of Elara Securities, we welcome you all for the Q2 FY '24 and H1 FY '24 conference call of RITES Limited. I take this opportunity to welcome the management of RITES represented by Shri. Rahul Mithal, Chairman and Managing Director; Shri. A K Singh, Director Projects; Dr. Deepak Tripathi, Director Technical and Shri. K. G. Agarwal, Director Finance. We will begin the call with a brief overview by the management followed by Q&A session.

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

Rahul Mithal: Good morning, everyone. So I go ahead with the opening safe harbor statement. The presentation and the press release, which we uploaded on our website yesterday and all discussions during the call today may have some forward-looking statements. These statements consider the environment we see as of today and obviously, carry a risk in terms of uncertainty because of which the actual results could be different, and we do not undertake to update those statements periodically.

In my opening comments, a brief overview of the Q2. It's been a tough quarter but has been satisfying for our entire team is that it is in line with the strategy we had envisaged at the beginning of the FY to tackle the twin challenges of revenue from my export stream of business and

for the changed dynamics in the inspection consultancy stream of business. It was a threefold strategy: one, to give more and more stress on the project consultancy revenue, which has seen a substantial increase, both sequentially as well as Y-o-Y as well as getting fresh orders in consultancy.

The second was to try and diversify the client base in the inspection stream of business from more and more non-IR clients to minimize the impact of the changed dynamics that also has seen a substantial improvement sequentially. There has been a growth in the client base and an increase in the revenue also. And third was to aggressively pursue export opportunities so that the major dent in both top and bottom line from the export stream of revenue, that gets mitigated.

We are quite happy that we have been declared L1 in 2-3 locations, order value of about INR1,500-plus crores and we are looking forward to them being converted to finite orders in the coming weeks, which we will pursue for generating revenue in the coming quarter.

So all in all, a tough quarter. But yes, satisfaction that all three fronts have seen a substantial progress, and we will continue to work in that direction. With those opening comments, I'll leave the field open for questions.

Moderator: Thank you very much. The first question is from the line of Dixit Doshi from Whitestone Financial Advisors Private Limited. Please go ahead.

Dixit Doshi: My first question is regarding the export business. So in the last quarter, we had two order wins of Zimbabwe INR850 crores in Mozambique INR500 crores. And recently, we have one order in Bangladesh of INR900 crores. If you can update on all three of this where it is by when you expect to sign the agreement and find we can start working on these projects and how much time it will take for the execution?

Rahul Mithal: Good morning Dixit. So yes, in terms of all these three, we were in the Mozambique tender and the Bangladesh tender, declared L1. And the

TEC proceedings are on. We are looking forward to them getting ratified as soon as possible in the coming weeks that they get converted into an LOI. We have not yet added any of these to our order books. When we will get a finite LOA only then we will add it to our order books, but we are looking forward to them getting converted soon. The Bangladesh is for 200 coaches and Mozambique could be for locos could be wagons or both. So that would depend on what the LOA finally comes, what quantity comes.

All these three types have different delivery scheduled based on the production cycle. But our efforts would be to at least start generating revenue from them latest by Q1 of the coming FY and then stabilize it on a steady basis quarter-on-quarter and the coming FY. So definitely, next FY these orders should generate revenue.

Dixit Doshi: Okay. And update on Zimbabwe?

Rahul Mithal: Yes. So the Zimbabwe one was an agreement signed about 4 months back when the Zimbabwe delegation came here, it was an agreement signed for locomotives and wagons. Subject to their funding being approved by their funding agencies. They are still under the process of taking all requisite approvals from the government. We are ready with all necessary steps to be taken as soon as the agreement is signed. Again, we are looking forward for that to get signed in the coming months. But all 3 of them are progressing parallelly, they could mature as I said, in the coming weeks and months, definitely sometime in this quarter.

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

Shreyans Mehta: So during this quarter, we've seen issues or, I would say, pressure across segments in terms of margins, except for one. So fair to assume this is the new normal or this is just a one-off?

Rahul Mithal: No, very correct. You see all the 4 streams of revenue are more and more getting opened to the competitive mode. You saw that in the inspection stream from the IR. Consultancy across all my 13 verticals across all areas of infrastructure are getting more and more coming in the competitive mode rather than the nomination mode. While our efforts are still on to continue with clients who are being traditionally giving some orders on nomination.

However, that's the new normal as you correctly said. And obviously, when you have competitive mode whether both in the domestic bidding or international bidding margins are definitely going to be lesser than what traditionally they have been in the pure nomination era. So for sure, moving forward, in all streams of revenue, all by 4 streams of revenue, margins would definitely be under continued stress.

Shreyans Mehta: All right. Any number you would like to assign in terms of guidance, say, '22 to '24 something?

Rahul Mithal: You see each of the four streams of revenue have wide ranges of margins, from turnkey to the consultancy. Even within consultancy, they keep wary. So it would not be proper right now. This is evolving over every quarter, the mix is changing between competitive to nomination. I can only say that all efforts are there to secure margin as close as possible to the historic levels.

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

Rohit Natarajan: Sir, if you could tell me what was the QA number booked in this particular quarter? And what was the kind of margins attributable to that?

Rahul Mithal: You see, I can tell you that QA if you compare Q2 Y-o-Y, we got a dent of about INR25 crores. On an average QA used to be about INR90 crores to INR100 crores a quarter. And this took a dent of about INR25

crores starting from Q1 this year. However, as I said in my opening comments, the aim was right from last few months to diversify our client base.

And that is why Q1 to Q2 saw about a 7% growth in the QA revenue from about INR73 crores to about INR78 crores. So I have been able to balance out the dent in the margins in the competitive mode of QA vis-a-vis getting revenue in higher streams of project consultancy, and we could see an overall consultancy margins of about 40%.

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

Yash Gupta: Sir, my first question is on the QA. Clear you're saying that currently, we are at INR75 crores on a quarter-on-quarter basis. So what the expectations for the second half of the year? Are we expecting on the same line? And as we have already said that margin that QA has always did this. So we are expecting further dip in the margin in FY '25 also?

Rahul Mithal: Yes. You see very correct. Yash. As I mentioned, average, the quarter revenue in QA used to make INR90 crores to INR100 crores. That's been the trend. Last Q2, last FY was about INR98 crores. So, we are aiming to go reach back that level by diversifying our client base. As you see, the trend is already moving towards that INR73 crores in Q1, INR78 crores in Q2. We are aiming to reach back those levels in the quarters of next FY.

It's a tough challenge to come back to those levels, especially since the IR business, now you are 1 among 4, including the reduced rate. So the hit is both in terms of the quantum as well as the rate. So to come back to those levels, it's going to be a tough challenge in the coming quarter. But as you correctly said, the margins also will be constantly under stress in this stream of business. So our aim is to come back to those

levels. But as you see, the upward swing is already there, 73 to 78, about 7-odd percent, and we would continue to aim for that.

Yash Gupta: So we expect a normal edge too also on the QA business.

Rahul Mithal: Let me not use the word to our expect. We would say that the aim for coming back in the coming quarters, in the coming few quarters to the levels of revenue of QA that we were in the previous FY.

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

Viraj Mithani: My question is regarding QA only, we had some joint venture with some international companies. Can you give some color on that? Like what is the update? How it's going to be planning in future? Any update on that would be helpful.

Rahul Mithal: Yes. In fact, that was initiated a few months back as part of many such initiatives which we are taking. So what we are trying to do in QA is, one, as I said, expand on the client base. So we are starting to get orders from non-IR both government as well as private clients.

Two, we are exploring opportunities in the international QA, which was the reason for partnership with the company or we are trying to also look into areas of application of AI into QA for which we have recently partnered with IIT Roorkee. So all of these are aimed at giving the client another level of QA, increasing the client base and coming back to the levels of QA, which we work even in this changed ecosystem.

Viraj Mithani: Is it going in the right direction? I mean what's your sense I understand the business takes time, but is it going in the right direction?

Rahul Mithal: Yes, we can say with satisfaction that it's moving in the right direction. You see coming from 73 in Q1 to 78 in Q2 at least the number of clients have also increased. I see a positive movement in response from a number of new clients including our ISA certification, which we got,

which is giving us a number of new prospects of inspection like metros, etcetera. So we are going in the right direction.

Yes, it's going to be a tough call in the coming quarters if we come back to previous levels of revenue. And then at those levels, margin obviously to get those on the margin would be wait out, but it is getting back those levels of revenue and then substantially building up on the part of the EBITDA and profits from the business.

Moderator: The next question is from the line of Dixit Doshi from Whitestone Financial Advisors Private Limited.

Dixit Doshi: On the export front, so once we signed the agreement, typically, how much time goes into the designing and how much time it will take to start recognizing the revenue in the P&L and the margins will be similar of the historic export orders of 24%, 25% and lastly, on the export, is there any more large ticket export in the pipeline?

Rahul Mithal: So let me -- you asked 3 questions. Let me quickly break down into 3 parts. First, you see these types of stock in these we were L1, which have coaches, locomotive and wagons. Now each one of them, as you can appreciate have a different time frame. The shortest is for the wagons followed up by coaches and then followed up by locomotives. So our aim is that blended mix between the 2 -- from the time that we get the formal LOA agreement, we are aiming of at least 6 to 9 months' time maximum, we start generating some revenue from the wagons, coaches, locomotives as early as possible.

Rahul Mithal: So in terms of the second thing about margins, which you asked, as you can see, the Bangladesh tender, as I said, was an open global tender on a competitive mode, which is open to all the countries, the suppliers in the world. This is the first in the last so many odd years, may be the first one vis-a-vis most of them which were either through the line of credit or a G2G basis.

So obviously, the margins moving forward where you're competing and trying to get orders in global tenders in a competitive mode cannot be the same level. Definitely, margins in the export stream also will be definitely comparatively lesser than what they have been there in the past.

In terms of the third part of your question, in terms of big ticket orders anymore, we have been continuously aggressively bidding across the continents, both Southeast Asia and Africa and Latin America they have started yielding results, as you can see. It would be premature for me to pre-empt anything, but as soon as we get something, we will definitely declare to the exchanges. But I can only say that a number of opportunities are being bid for literally on a weekly and monthly basis.

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

Shreyans Mehta: Sir, my question pertains to our top line. So assuming the export orders, as you've been guiding would be probably 6 months, 9 months down the line. So is it fair to assume or probably are you confident that we'll be able to meet the last year's numbers as far as the top line is concerned?

Rahul Mithal: Well, as you've seen from the numbers and the mix of the revenue vis-a-vis what it was last year, it's not an apple-to-apple comparison because the mix is totally different. While our aim is to reach back to those levels, the first aim is to reach back to as close to levels of EBITDA and profit to last year. And then, obviously, parallelly working on reach back to levels of revenue last year. This is a new consolidation and holding on and trying to make as many in all the 3 fronts, which I mentioned at the outset, substantial progress in a quick manner so that we are able to use them and start generating substantial revenue and profits in the coming FY.

Shreyans Mehta: Got it. Got it.

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

Yash Gupta: Second question is on your consultancy business. So consultancy used to do around to be like INR300-plus crores of revenue. And in the QA business, you are getting head-off around to be like INR25 crores to INR30 crores. So my question is that what about the other business, the other part, other in the consultancy other than the QA business, how that particular business performing? Are we expecting like 10% to 12% growth there and marginal stagnant? Or there also we are hoping submitting the margin as well as the growth.

Rahul Mithal: You see, as you correctly pointed out, my core stream of revenue is consultancy and in project consultancy, in terms of the revenue, we saw a 20% growth Y-o-Y and a 10% growth sequentially. There is substantial growth, both in the project consultancy revenue as well as the QA revenue sequentially, which you saw. So you could see an overall growth in the consultancy revenue of about 5% Y-o-Y.

And you take the project consultancy, which is a substantial portion of the consultancy, that, as I said, saw 20% growth Y-o-Y and a 10% growth sequentially. So the key factor is that consultancy, which is our core strength is substantially growing not only in terms of revenue realization, but in terms of getting fresh orders also.

So this quarter, we have got about 78 orders, which is on an upward trend from about 70 in Q1 which is currently at the rate of 0.85 orders a day. And the way we are progressing, we are aiming for a milestone of reaching 1 order a day in the coming quarter. So consultancy is progressing well. I've already explained to you about the prospects in exports. Leasing is another about 5% of my pie which is also growing, margins have been healthy. So that's quite a steady growth. Turnkey is our limited area, which we are not really a construction company, but we've got an order book of INR2,500 crores and turnkey revenue

would keep on being maintained at a steady level. These are very low margin, and this is not primarily our main line of business.

Yash Gupta: Sir, in the project consultancy as you've told that 20%. So the margins are constant there? Or there is some special margin there also.

Rahul Mithal: No. because the mix from inputs and because of the inspection, we have taken a hit on the margin. And even within project consultancy, as I said at the outset, because of more and more competitive bidding in certain sectors, project consultancy also are under strain. So, maintaining margins at the historical level, whether it is for inspection stand-alone or consultancy overall, which includes project consultancy, is always going to be a tough. However, we have still been able to maintain overall consultancy margins at about 40% which is going to be a tough, but we are aiming to be as close as possible to the historical margins moving forward.

Yash Gupta: Small suggestion toward the moderator, if you can allow 2 questions for participants, it will be much easier for us.

Moderator: The next question is from the line of Vishal Periwal from IDBI Capital.

Vishal Periwal: My question is on the margins. I think you did highlight a little distress on the margins in this particular year. But in this quarter, if you look at, there has been a weakness in margin in consultancy as well as there was a loss at EBIT level. At turnkey also, there has been a decline. In all three, you expect the same kind of trajectory going ahead? Or probably there is one-off in turnkey and export in this quarter?

Rahul Mithal: No. As I said, in all core streams and for the reasons as I said for exports, because now it is more and more of competitive global tenders, which we are aggressively bidding, have lesser contribution compare to LOC type G2G contracts. Now more and more around competitive bidding on global tenders, so export margins are not at the same levels historically.

Consultancy since inspection itself is a part of the consultancy revenue and for the reason explained as well as project consultancies, some of the sectors in project consultancy with more and more being opened up to competitive bidding will definitely also see a stress in margins.

So turnkey, by nature itself are in the range of about 2%-3%, which on a steady basis on an annual basis will even out in about 2%-3%. So maybe a quarter wherein there is a fluctuation in the turnkey margin. But on overall in a project or the milestones get achieved in construction, they will be out on an average about 2%-3%.

Leasing is the good level of margins with business of 5%. We are planning to expand the client base also in leasing. We would gain or getting more revenue and more profits in leasing. But overall, yes, in terms of the overall core EBITDA, blended core EBITDA for the entire company for all the reasons in all 4 streams of revenue that I explained maintaining margins to the level that they were is always going to be tough, moving forward.

Vishal Periwat:

Okay. So, it's basically change in the guidance earlier, like revenue growth will be flattish, margin improvement will be there. So there's a change in the guidance on that front. Profitable growth. So that at least in FY '24, it looks challenging, FY '25, whenever the export moves up, then only the traction could come? That's broadly one can summarize.

Rahul Mithal:

So basically the change in challenges this year started with the same 2 challenges and the strategy of trying to hold on and maintain levels of revenue and EBITDA to last FY. And that is what our aims are going to be, that we're moving forward in the coming 2 quarters, even with the strength in margins because of the mixed blend both inspection and export our high-margin contributors to the overall pie.

So definitely, margins comparable to last year will be tough. But the aim of trying to reach the levels of revenue and EBITDA or PAT at last

FY that aim will always still be there for this FY we are holding on and consolidating and next FY, growth in both the top and bottom line with even the stress from market.

Moderator: Mr. Periwal, I am sorry to interrupt you. I would please request you to please join the queue since we have more participants for more questions. If you could please join the queue back again. The next question is from the line of Viraj from Jupiter Financial.

Viraj Mithani: I wanted a color on REMCL. How are things progressing there? And what are your feelings about it?

Rahul Mithal: Thank you for asking that. In fact, REMCL is actually to our happiness and satisfaction moving forward aggressively. The revenue grown substantially. If you compare Y-o-Y, Q2, both revenue and profit, a growth of about 17% in revenue, a growth of about 16% in PAT.

It is successively for quarters now it is paying dividend to both the RITES and IR, it has paid the highest ever dividend during this quarter. About, 99% plus of its profit, it is distributing a dividend. REMCL is moving forward very aggressively, both in terms of its traditional line of business as well as the net zero emission of Indian Railways is already finalized the first tender of RTC a few months back, and it's on the part of processing other similar RTC tenders in the coming quarters.

Viraj Mithani: Is it fair to grow at double-digit margins, double-digit revenues, I mean high double-digit revenue.

Rahul Mithal: It will go at a steady pace after because electrification is increasing, the traffic is increasing in IR. So it will grow at a steady pace. It's obviously garnering all possible growth that is happening in IR, both in electrification as well as traffic. However, after a certain stage, coming forward, we'll give you depending on when a certain entire level of electrification is reached. By that time, definitely, there will be a substantial growth.

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

Parimal Mithani: I just wanted to know, sir, REMCL last year, there was almost INR95 crores in revenue and INR45 crores in PAT. And current year, we almost come to INR79 crores and INR42 crores in PAT. And this is just for the existing electrification using. Do you think we can surpass last year's revenue in this current year itself with the same margins?

Rahul Mithal: Yes, for sure. We are already moving in that direction. As you are currently saying the figures compared to last year has been a substantial growth. And even, as I said, Q2 Y-o-Y has seen a 16%, 17% growth both in revenue and profit. So with the increase in electrification and traffic growth in IR we are on path for definitely exceeding last year's revenue as well as profits in REMCL.

Parimal Mithani: The dedicated freight corridor, do we do any part in REMCL right now, sir?

Rahul Mithal: Only IR is a client right now, which includes dedicated freight corridor.

Moderator: The next question is from the line of Sampat Nayak from Tiger Asset. Please go ahead.

Sampat Nayak: Yes. So all our future projects will be on a competitive basis, right? So the bidding will be on a competitive basis, right?

Rahul Mithal: I mean, it's unfair to use the word all. I can only say that the trend is moving towards more and more competitive bidding across all streams of business. That's the trend now, and that is across sectors.

Sampat Nayak: Right. And can you give a ballpark number on this sustainable EBITDA margins going ahead?

Rahul Mithal: So as I said, it's not fair for me to give a number, considering it's an evolving situation. There are 4 blends, 4 streams of revenue. The fact is across all 4 stream of revenue for the reasons that I explain some time

back are definitely going to be difficult to maintain at the historical level. But yes, the dip or the variations in the margins in each of the 4 streams will be different. Overall, also on a blended mix, the margins maintaining at the previous levels is going to be a tough call.

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

Rohit Natarajan: Sir, I see that you're doing a lot of collaboration with state-owned entities like PFC, IRFC. What is the scope of adding up consultancy order inflows through that kind of collaboration? Can we assume, like, for instance, PFC fit mix incrementally a loan of INR1 lakh crores, is it possible that INR1,000 crores could possibly come as consultancy revenue for potential pipe for RITES. Could you elaborate on those aspects?

Rahul Mithal: You see, not only IRFC and PFC, we are very aggressively trying to collaborate and partner across various sectors with our goal of trying to be a 1 order a day company. We have already reached about 0.85 orders a day in quarter 2 and moving forward, we feel that 1 order a day is reachable in the coming quarters. Specifically an IRFC and PFC type of collaboration.

It is more for projects or infrastructure projects which they plan to invest as they are both diversifying from their core sector like power and IR they're diversifying into other sectors also. So they want to use our experience of doing due diligence for their various investment opportunities, which they plan to invest in. So these are the initial deals where collaboration started as they grow and as they invest more in various sector, depending on the scope of work for each consultancy that we get from them, I see a good opportunity of getting orders from both of them.

Rohit Natarajan: Sir, just to follow up on that. The conversion of this 1 order a day in terms of ticket size, what would that number look like?

Rahul Mithal: So you see consultancy is a wide range you could have an order of INR50 lakhs, you got an order of about INR30 crores, INR40 crores, depending on which portion of the value chain that you enter in. So it's very difficult to give you number of 1 order, you can have the historical trend, which will give you an order and average. For example, 78 orders we got in quarter 2 this year, totalling to INR329 crores. So these are the average consultancy range of order that we get.

Moderator: The next question is from the line of Shikha Doshi from Axis Securities. Please go ahead.

Shikha Doshi: Could you give a guidance on the capex for this year?

Rahul Mithal: So we are a low capex company. We really don't -- our average capex has been in the range of about INR100 crores, INR150 crores traditionally. This quarter, we did a capex of INR28 crores bringing the cumulative to H1 to INR63 crores. And we would end up ending up somewhere around about INR145 crores, INR150 crores. That's the historical trend that we have. We are moving forward also we're not going to be a major capex company, we range in that about INR100 crores or maybe less.

Moderator: The next question is from the line of Mehul from Nuvama Wealth. Please go ahead.

Mehul: Observing the dividend payout ratio over the last decade, there has been increased substantially from 20% to about like nearing 100% now. So is there -- if I look at like in the business segment, seems like it's not that significant change like over the period. So how should we look at what is driving that like?

Rahul Mithal: Yes, I'm glad you asked this question. It is a reiteration that we are a consultancy company, we are not a construction company. We are not an infrastructure capex company. With that clarity, long-term clarity in our core business and our core business strategy, once we are very clear and as a reconfirmation and reiteration of that, we don't see any

reason of holding back on dividend and that is why we are flowing back the earnings that we get to our stakeholders and that's why you are seeing a steady dividend payout ratio of 90% to 93%.

Moderator: The next question is from Harshit Kapadia from Elara Capital. Please go ahead.

Harshit Kapadia: Sir, a question from my side on the export front. So we have already seen the 3 orders probably you'll be getting in a few weeks and month time. But beyond that also, do you see a reasonable amount of pipeline which you could be working on? Because if I remember from last year onwards, we have been saying that every year, you will see some orders which will be coming up. So beyond these 3, is there a pipeline that you will be looking at? Or probably there could be some amount of lumpiness again, which has been the case.

Rahul Mithal: Mentioned that. Glad you asked this question because, again, this is reconfirmation of our strategy, which we started last year post-COVID as the world was opening up to reach out aggressively to all possible clients across the 3 continents, whether it is Africa, Southeast Asia or Latin America. And we did not rely purely only on G2G or line of credit type of tenders. We are now building, as you see from a live example of this Bangladesh coaches tender. This is an EIB-funded tender. And so we are now bidding aggressively literally on a week or a month basis, not only in LOC G2G type contracts. But global tenders of export. So with this, to my mind, is just the beginning and our aim will be not to see any lumpiness leading to this being some challenging quarters for us in terms of export tech revenue. So our aim is that we have enough orders coming on a regular basis in exports, so that the contribution from this stabilizes over a period of time in the coming quarters on a steady basis.

Moderator: The next question is again from Harshit Kapadia from Elara Capital. Please go ahead.

Harshit Kapadia: Sir, just a question on the turnkey construction. We saw a decline by 6% in this quarter. Now was that because of normally Q2 is generally a weak quarter because of monsoon. So in fact, activities are slow or is it because some of the projects have not reached the threshold level have you not able to book the revenue portion. If you can give us some sense on that.

Rahul Mithal: Yes. There was a slight dip in the revenue in turnkey in this quarter, not on very major substantial reason for RITES, except that we still have an order book of INR2,500 crores and various projects are at various stages. So it's a question of some reaching, some particular stages in their completion and booking of the revenue. Moving forward, normally traditionally Q3-Q4, things pick up more in construction contracts. And I see this trend going forward in the turnkey stream of revenue in Q3-Q4 to increase substantially as these projects progress at a faster pace.

Moderator: The next question is from Rohit Natarajan from Antique.

Rohit Natarajan: Yes. This is just a follow-up on the IRSDC investment, which will probably get transferred to RLDA. Your investments of INR48 crores, I see that you have mentioned you don't see any impairment risk in that business. But could you clarify us in what are the future plans or RLDA has? Would there be a further equity participation in future projects for RLDA where the company will allocate some capital to these particular segments.

Rahul Mithal: See, Rohit, it's not fair for me to comment on RLDA plans. I can only say that our investments, as I've been saying earlier, it is safe and it's in the process of being wound up and the necessary processes are leading to a logical conclusion timely. We are pursuing it, watching it very closely. We don't expect any hit or impact at all. And that is where I'll limit my comments.

Moderator: The next question is from the line of Vishal Periwal from IDBI Capital.

Vishal Periwal: Now I think you mentioned that as the competition is increasing and how the P&L changes could happen. From a balance sheet point of view, does this differ, will that increase in the working capital requirement or things like that, that you can provide a color.

Rahul Mithal: No, not really, Vishal. Our model, traditionally, as you've seen, our working capital requirements are very minimal. We are a debt-free company also. So this change of mode of awarding contracts is not really going to change the working capital requirements moving forward.

Moderator: The next question is from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: So the first half has seen a degrowth in terms of top line consolidated level. So do you think by the year-end, you'll be able to make up and at least reach FY '23 levels or that EBITDA from the revenue front?

Rahul Mithal: Yes, as I mentioned some time back, that, even with 2 major contributors being not there, compared to last FY, and even if these few export opportunities fructify into finite contract agreements in the coming weeks as you saw from my detailed explanation regarding the time frame for export revenues, the earlier that we could expect revenue would be Q1 in the next FY.

So yes, coming back to levels of FY '23 is going to be a challenge. But having said that, our efforts are on to compensate and minimize the impact as much possible by the growth in the project consultancy range, which, as I mentioned, this quarter also saw a 20% growth Y-o-Y compared to Q2. So with that, we are trying to compensate levels of reaching back both in terms of bottom line and top line comparable to last FY.

Rahil Shah: Okay. Got it. So then from that perspective, FY '25 should see a substantial growth overall?

- Rahul Mithal:** Yes, for sure.
- Rahil Shah:** Any ballpark percentage you can attached to it right now or then be typical?
- Rahul Mithal:** Not fair right now to pre-empt, but you see the direction in which we are moving. Even with 2 streams of revenue, having taken a hit if we are able to touch back the base of FY '23. And with these orders of exports generating revenue in Q1 onwards, we definitely would like to see a substantial growth both in top and bottom line vis-a-vis this base level.
- Moderator:** The next question is from the line of Harshit Kapadia from Elara Capital. Please go ahead.
- Harshit Kapadia:** Just on the clarification, what we are hearing is that there has been some amount of ordering deceleration or other railways that can run up to election. Are you able to also see the similar thing for your turnkey construction projects as well, sir?
- Rahul Mithal:** So we are still getting a lot of consultancy. I mean we are bidding primarily for consultancy works for IR. We has got a lot of work in consultancy, which is our cost strength 2 sections we got for semi high-speed surveys and consultancy for DPR, we have got some orders for development of rail sidings, the consultancy, final location surveys. We are continuously getting orders, and I don't see any slowdown in that at all.
- Harshit Kapadia:** What about the turnkey part, sir, on the consultant you clarified, how turnkey is there something also.
- Rahul Mithal:** We are bidding very limited, as I said, turnkey is not really our main source of revenue. We still have about INR2,500 crores as our order book. We would like to limit it to very limited strategic opportunities, not only in the railway sector, but some buildings or some metro construction, these are the 3 broad areas. Station development, which

we have been getting few construction orders in turnkey. So we don't see any major slowdown in that. Wherever we feel to balance our optimum turnkey requirements by phasing it out, we are bidding and getting some orders in turnkey business also.

Moderator: Thank you very much. As we have no further questions, I now hand over the conference to Mr. Harshit Kapadia for closing comments. Please go ahead.

Harshit Kapadia: Thank you, Malcolm. We would like to thank Shri. Rahul Mithal, Chairman and Managing Director; Shri. A K Singh, Director Projects; Shri. K.G. Agarwal, Director Finance; and Shri Dr. Deepak Tripathi, Director Technical for giving us an opportunity to host this call. And we also thank all investors and analysts for joining for this call. Any closing remarks Rahul, sir?

Rahul Mithal: Thank you, Harshit, and thank you to all my stakeholders who have the confidence in us. And as explained, we are on the track for the consolidating our position. We see progress in all the three areas which we have strategized as our way forward for this FY. All key fronts, as I explained, are moving in the right trend, if you see sequentially also.

With that and our recent being accorded the Navratna status a few weeks back, which is a feather in our cap in our 50th year, as we reach 50 years in April. And the fact that we are currently at 0.85 order day, aiming to be a one order a day company, I see interesting quarters moving forward. Thank you very much.

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

-End-

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