

RVNL/SECY/STEX/2023

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**Sub: Transcript of Conference Call with Investors**

**Ref: Regulation 30 of the SEBI (LODR) Regulations, 2015**

Dear Sir/Madam,

This is in continuation to our letter of even no. dated 30.05.2023 regarding intimation of the Audio Recording of Conference Call with Investor on the website of the company. Transcript of the said Concall is enclosed herewith. The same is also available on website as follows:

[www.rvnl.org](http://www.rvnl.org) – Investor -Board Meetings, Board Committees & General Disclosure-General Disclosures

You are requested to take the same on your records.

Thanking you,

Yours faithfully,  
For Rail Vikas Nigam Limited

(Kalpana Dubey)  
Company Secretary & Compliance Officer



“Rail Vikas Nigam Limited  
Q4 FY '23 Earnings Conference Call”

May 30, 2023



**MANAGEMENT:** **MR. PRADEEP GAUR – CHAIRMAN AND MANAGING DIRECTOR – RAIL VIKAS NIGAM LIMITED**  
**MR. RAJESH PRASAD – DIRECTOR, OPERATIONS – RAIL VIKAS NIGAM LIMITED**  
**MR. SANJEEB KUMAR – DIRECTOR OF FINANCE – RAIL VIKAS NIGAM LIMITED**

**MODERATOR:** **MR. VISHAL PERIWAL – IDBI CAPITAL**

**Moderator:** Ladies and gentlemen, good day and welcome to the Rail Vikas Nigam Limited Earnings Conference Call for Q4 FY '23. This call may contain forward-looking statement about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. The statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vishal Periwal from IDBI Capital. Thank you and over to you, Mr. Periwal.

**Vishal Periwal:** Yes, thanks Seema. Good afternoon everyone. I welcome you all for the post result interaction with the management of Rail Vikas Nigam Limited. From the management side, we have with us today Mr. Pradeep Gaur ji, CMD, RVNL; Mr. Rajesh Prasad ji, Director, Operations, RVNL; Mr. Sanjeeb Kumar ji, Director of Finance, Rail Vikas Nigam Limited.

Now, as usual, we'll have a brief overview from the management on the business and then we'll open the line for Q&A. Yes, sir, over to you.

**Rajesh Prasad:** Okay. So, very good evening. See, this Rail Vikas Nigam Limited was basically the vision of the then Honorable Prime Minister Bharat Ratna Shri. Atal Bihari Vajpayee and this particular company was incorporated on 24th January 2003, meaning thereby we have spent around 20 years plus. We started operations in 2005. We got Mini-Ratna in 2013 and we have now graduated to Navratna on 1st May, 2023.

We have commissioned more than 15,500 route kilometers of railway infrastructures. We contribute more than 30% of the total Indian railway infrastructures. The MOU rating for the last 12 years has been excellent by Department of Public Enterprises. In the financial year 2022-2023, we had got our CARE Rating done, which was AAA with Outlook Stable.

We have got Pan-India presence. We have started executing overseas projects. So we have become from local rail infra to global all-infra and we have had more than INR1 trillion of project expenditure and the revenue from operations, the turnover in FY '22-'23 was INR20,282 crores, standalone I am talking about the top line. The bottom line was INR1267.97 crores and the gross margin upon turnover of 5.77% and these are the financial numbers.

Now if you see the physical numbers, we had commissioned 1,044 kilometers. So in FY '22-'23, the top line of INR20,282 crores, bottom line of INR1,268 crores, physical commissioning INR1,044 crores, all these three parameters are all time high for RVNL. So the revenue, the turnover growth was 4.65%, whereas, the profit after tax had a growth of 16.61% and for the last two consecutive years, we crossed the commissioning mark of 1,000 kilometers.

So if you see the year-on-year basis performance, there is a growth but with respect to the Q4 of the previous financial year that is FY '22, it is less but in terms of the -- with respect to the

performance of Q3 of FY '23, it is again high. So what I wanted to convey is that the performance in FY '22-'23 was all time high as far as the top line was concerned, as far as bottom line was concerned, as far as the physical delivery was concerned.

The highlights of the FY '22-'23 was as I said, the Care Rating of AAA, then graduation to Navratna status, then local rail infrastructure to global all-infra that we started executing overseas projects other than railways. For the last 12 years, we have been rated excellent, 10 times out of the last 12 years, number one under Ministry of Railways. Then the various magazines, like, Fortune 500, ET Top 500, all rated us less than 100.

We completed and commissioned more than 140 projects out of 182 projects assigned by Ministry of Railways, and if you see the performance with respect to SENSEX, BSE 500, BSE Infra, NIFTY, all went down in FY '22-'23, whereas, RVNL's growth was more than 105%, and in fact it was Top 10 stocks of the country, and for the first time the market capitalization was more than INR25,000 crores and the market has also appreciated.

We have got a CAGR of around more than 20%, 25% whereas the appreciation, market appreciation is more than 50% if you see the cumulative part, and if you see the last one year, it is more than 100%, and the SPV, the Special Purpose Vehicle, Angul-Sukinda rail line, we have got it commissioned and there is a turnaround in the performance of the Special Purpose Vehicle, and what I want to tell you is that in Kutch Rail Company, the loading, the traffic went up by 27%, in Krishnapatnam it was around 79%, BDRCL it was 140%; and in terms of rates also it has gone up and the fact from the Kutch Rail, KRCL, BDRCL, and even HPRCL, they have shown growth varying from 22% to 124%.

So what I wanted to tell you is that there is a turnaround in the existing SPVs, we have started getting earnings and with the internal resources, the Kutch Rail Company Limited could commission the entire doubling and the electrification, and for the first time in the Indian Railway System, in that particular SPV line, the double container movement had started and as I said, Angul-Sukinda, we have commissioned and the project was dedicated to the nation by Honorable Prime Minister on 18th of May, the operation started in the month of March, and it will be the game changer for the transportation of the basically various kinds of traffic like iron ore, coal, steel in that particular region connecting from Banspani to Meramandali or Talcher-Haldia to Dhamra port, to Jajpur area, Kalinga Nagar to various destinations.

So this is going to be a game changer. In 2020, we had commissioned HPRCL, so these two SPVs will completely change the dynamics of the transportation system in that particular region. So with this I will just close the opening remarks and now we are ready for the question-and-answer.

**Moderator:** Thank you very much sir. We take the first question from the line of Mr. Dixit Doshi from Whitestone Financial Advisors. Please go ahead sir.

**Dixit Doshi:** Yes, thanks for the opportunity. Sir, my first question is regarding the order book. So what is our current outstanding order book and how much order we received during the current financial year?

**Rajesh Prasad:** Okay, give me one minute. So regarding the order book, yes, presently we have got an order book of INR56,000 crores plus, out of which railway share is INR36,977 crores, which includes the double line of INR6,400 crores, new line of INR18,000 crores, metro and others it is around INR11,000 crores and from bidding we have got the order of INR20,000 crores. So out of INR56,000 crores, we have got order of INR20,000 crores through the bidding and around INR36,900 crores from the Ministry of Railways, which were given on the nomination basis earlier.

**Dixit Doshi:** Okay. And how much was the order win for the current financial year?

**Rajesh Prasad:** I don't have the break up right now, but I will just come back to you.

**Dixit Doshi:** And this INR20,000 crores when you mentioned, we won through the bid, I assume that this is only our share, because many of the projects we have bid in SPVs or a joint venture with some other partners?

**Rajesh Prasad:** Yes.

**Dixit Doshi:** So this is our share of order?

**Rajesh Prasad:** Yes.

**Dixit Doshi:** Okay. Now my second question is regarding the execution. So historically our execution has been very good and now we have order book of INR56,000 crores and many of these orders are actually received recently in last one year. So how do you see execution over next couple of years and particularly in FY '24 given many of these contracts must be having a long cycle also. So this INR20,000 crores revenue this year, where do you see it next year?

**Rajesh Prasad:** See, you will have to appreciate one thing that we started bidding in the market only one year and nine months back, and the first project, which we got through the bidding is Indore Metro where we got the two packages through the bidding, approximately INR1,500 crores and that project turnover in the last financial year was around INR500 crores, slightly less than INR500 crores, and this year we are planning to have more than INR600 crores.

So what I wanted to tell you is that the focus of the company is not only to get the project from the market, but also to execute timely with best quality possible following the highest safety standard.

So and every project has different kind of challenges. They are having the different requirements. They have got the different kinds of the basically period of completion, time of completion, and normally on an average I can tell you that the project completion time varies from 2.5 years, two years to around 3.5 years, and we expect that the order book, which we are having and the kind of turnover, which we are having, we are going to have more and more orders from the market in time to come, and we would like to maintain the same kind of turnover in coming years.

**Dixit Doshi:** Okay. Yes, so I completely agree that we have started the bidding just one year back and actually we have done exceedingly well.

- Rajesh Prasad:** One year and nine months, I said one year and nine months.
- Dixit Doshi:** Yes, and we have actually done exceedingly well in grabbing the orders. So as you mentioned that it's 2.5 to 3.5 years, so maybe FY '24 would be a consolidation year where revenue may not grow significantly but as more orders built up one can expect a good growth from FY '25 onwards?
- Rajesh Prasad:** See, what I said in the opening remarks is that we had achieved the top line, we have achieved the bottom line, the growth of the top line was around 5%, but at the same time the bottom line growth was more than 16%. So the bottom line is more important from the investor point of view, from the public point of view, and we are also concerned that our profits should remain intact, and we should be able to give good return to the investors.
- So what we see is that the bottom line will grow with the same kind of growth and in time to come, you can see that once we get more and more orders, we will concentrate on the margins. We have already started working on increasing the margin. I will cite a few examples that we have opened the procurement cell, we are working for a legal cell, then we have already extended our design cell. So we are working in that particular direction and the idea behind this is that the bottom line should remain intact with the same kind of growth, and yes there will be some kind of consolidation in FY '24.
- Dixit Doshi:** Okay. So my next question was relating to the margin only. So what we heard from the many of the competitors and the private players that the intensity in the bidding, competitive intensity is quite high. So we have been doing 5.786% margin. So do you see any pressure on this margin going forward once the execution from the bided projects?
- Rajesh Prasad:** We have got few models. One model is the project, which we have been assigned so that margin will remain the same. The second model is that whatever money we have got, we put in the bank and we get the interest that is also more or less fixed. Then we execute some of the SPV projects, which are more or less over. Some leftover items are there, so that has also got a similar kind of model, which Ministry of Railways assigned. And the fourth model is the business development model or through, which we get from the bidding.
- So what I want to tell you is that we are working and see whenever we are participating in a bid, we are doing a lot of value engineering at this stage of even the tendering. We work out and say see it has got some kind of risk and we allocate some of the risk factor also. So all together we can see that since we are in the market, the margins are likely to improve upon by doing the value engineering and we are quite capable of doing that.
- So we have got the complete team. We have been working on that and in time to come you can see the result that the margin is improving in the order, which we have faced from the market.
- Dixit Doshi:** Okay. One last question and then I join back in the queue. We were expecting some large order from Kyrgyzstan. Any update on that?
- Rajesh Prasad:** See we have signed MoU and we have already formed a joint stock committee, the DPR company, and we have already prepared the DPR, etc. So things are moving in the right

direction. See in any project a lot of steps are involved in this like from the concept and then DPR, then signing of MoU, opening of a company, formation of an SPV. So it is on the right path and it is only a matter of time then we will get some good information about this company, and see we are governed by LODR. So whatever information's are there, we always disclose in the public domain. So you will also come to know through our website in time to come.

- Dixit Doshi:** Yes and what was the size of that order approx.?
- Rajesh Prasad:** It was approximately INR18,000 crores.
- Pradeep Gaur:** It was INR18,000 crores. Basically what is happening is now the Government of Kyrgyztan is tying up with a European fund company, which is also almost in the final stage. So I think we will get things moving on this sooner than later.
- Dixit Doshi:** Okay. Thank you. That's it from my side.
- Moderator:** Thank you sir. We take the next question from the line of Mr. Sandeep Satodia, Shivam Gilmark. Please go ahead sir.
- Sandeep Satodia:** Good evening to everyone here. First, sir, let me congratulate Mr. Pradeep Gaur on his extension, and we do hope sir that with your extension the company will continue on the same trajectory growth that we have seen in the last few years.
- Pradeep Gaur:** Thank you so much. Thank you so much for your kind wishes. Thank you.
- Sandeep Satodia:** It came as a big relief sir as an investor to know that you are going to be there for another two years and take the company possibly at much greater heights.
- Now sir, for my first question in continuation to the previous one, sir the INR56,000 crores order book position as of now, how does this compare with the same period of last year?
- Rajesh Prasad:** See, if you see the turnover of the company, we had around INR20,282 crores. So last year was also it was approximately like this only INR55,000, NR54,000 crores. So you can imagine that the inflow and the outflow was equal. So and it is necessary that suppose we are doing a turnover of INR20,000 crores, ideally it should be three times, minimum three times.
- So considering that now this chunk is coming from the market, we have been able to maintain the INR56,000 crores as on 31st March 2023. So it is a big achievement for the company that we have not only survived, we have done exceedingly well in doing the all-time high turnover and at the same time getting the orders from the market just to sustain the order book of the required value.
- Sandeep Satodia:** Sir, there has been multiple commentaries from the side of the company to say that the bottom line will be maintained and we have seen that the top line has gone through a bit of stress in Q4. So do you see any further stress in the coming quarters as far as the top line is concerned, or do you think the same growth momentum that we saw in 2022-2023 will be maintained in 2023-2024?

**Rajesh Prasad:**

I can tell you one more thing that since we have become from local-to-global, we are eyeing for so many infra projects, not limited to railways, in other overseas, in other countries. And whenever we get some orders, these will be intimated through the website, through the stock exchanges, and in time to come you can find many such orders.

We have already started executing the overseas project and regarding this financial year FY '22-'23, see you said that the top line has growth, less growth. If you see the performance of SENSEX, it was 59,000, it went down by 0.5%, BSE 500, 24,000, it went down by 3.5%, BSE Infra, 288, it went down by 1.8%, NIFTY, 17,670, it went down by 1.8%, whereas, RVNL share went up from INR33.40 to INR68.40, and it has further grown to INR115 or INR120, it is moving in that particular range.

So what I wanted to tell you is that FY '22-'23 was not that good from all perspective, but RVNL has performed exceedingly well and in time to come the top line growth of 4.64% is going to increase.

**Pradeep Gaur:**

I'll just add to what Mr. Rajesh Prasad mentioned. Yes, it's a bit of a transition now, because this was an organization, which was completely doing the projects assigned by Ministry of Railways, and now we have expanded our footprint beyond railways. So I can share with you with some sort of conviction that the adaptability and the flexibility this organization has shown to transition to the new this, you can appreciate it from this thing that the non-railway orders also we have been able to get, and definitely there is a slight consolidation, but things will start moving upwards very, very soon because our focus is now on getting more and more orders competitively, and then this organization has got huge technical and managerial capability with that, we will be able to maintain even the bottom line.

So our focus is not only on bottom line, after all bottom line will come from the top line only. So the focus is in both the directions, and I am very confident the kind of talent, the kind of -- what I should say, the versatility of this organization we'll be able to give you excellent results in time to come. Thank you.

**Sandeep Satodia:**

That's reassuring sir. My second question is with respect to some recent news in the media regarding some sort of not really a dispute maybe, but a thing with your Russian counterpart regarding the Vande Bharat orders that you have secured from the government. I think there is some sort of a tussle as far as the holding is concerned, or the shareholding is concerned, and due to which that particular order has not been able to go forward. Can you update us sir on what is the present position and how likely is it for the matter to get sorted out?

**Pradeep Gaur:**

Yes, yes. You have rightly mentioned that it came in newspaper. See, I'll tell you there is absolutely no problem on that. It is a question of confidence of everybody including ministry, because please don't quote me, because I'll be very frank here.

**Sandeep Satodia:**

Yes sir.

**Pradeep Gaur:**

Because I should be very frank with my investor. So basically because of some situation what is happening all around, I mean, many of the suppliers and because not everything can be manufactured by us, many of the suppliers and the bankers they were more confident to deal



with this one, if RVNL is having slightly majority, I mean major share. If not majority share, a substantial share, because they felt if an Indian PSU is there, they'll be more confident because many of these companies, I mean they may be guided by some sanctions or this thing because of the Ukrainian situation. So that was the issue.

So some sort of -- and I mean expectedly Russians were not very comfortable with this, but now there is a lot of intervention is there, and I am sure this matter will be get sorted out within a matter of two, three days. So and things will be back on, I mean, what I should say back on a fast forward movement.

So this I have explained to you in absolute frankness. Otherwise there is absolutely no problem. There is no dispute or anything between Russians and us. This was only in the interest of a smoother movement, because of confidence of suppliers, because many of the suppliers are from European, Western European countries and even some parts may come from American firms. So that was the only situation we were trying to figure out, so that once we get into this things move very smoothly. That is the whole thing and this is a very frank sharing of information with my investors.

**Sandeep Satodia:** Appreciate that sir. Once this is sorted out, do you have a timeline on when you would probably be able to rollout the first set of trains?

**Pradeep Gaur:** Yes, yes. The timeline is absolutely fixed. There will be no compromise on the timeline. The time given in the contract is two years from, say, today is around May '23. So it will be somewhere around May, June '25 when the first two prototype trains have to be ready for testing and then the trials will be there. Everything is as per the contract. Time is available and I can also share we are going to follow the ICF design. Of course, we will be doing lot of innovations. We'll make this touch and feel items. We'll be improving a lot that will have lot of passenger comfort and all those things.

So that timeline will be absolutely followed and even see this is a minor issue and because the whole technology is available and Russians are also highly technically capable. So we respect that, and we have got excellent license with Russians.

So it was only a question of comfort this thing. So timeline will be met, and there is a timeline given each year starting with 12 trains, 18 trains, 25 trains and something 15 trains to match 120, and that we will stick to it including when there is a maintenance period of 35 years beyond. So there is absolutely no problem. It's a very long-term contract. This is a minor issue, which I expect to get solved within next two weeks.

**Sandeep Satodia:** Thank you sir. Sir, my next question is with respect to the Q4 top line. We have normally seen that the Q4 top line is always much higher than the previous three quarters. I think it's probably the last four years, four financial years that we have seen a drop in the Q4 top line for 2022-2023. Any specific reason over there sir, because normally a lot of government orders mature in Q4 and they reflect in the books. So can you just...?

**Rajesh Prasad:** Yes, I will explain it to you. There are two basically parameters, one is the physical and the other is the financial. So what you are talking about is the financial, but if you see the physical

performance in the last quarter, the physical performance was much more with respect to the FY '22, Q4 and regarding this the financial, the top line you were mentioning about Q4, normally we compare on year-on-year basis and in the beginning I explained the various reasons, and I also said that Q4 of FY '23 was much better than Q3 of FY '23. Yes, it is less than Q4 of FY '22, but in totality if you see the performance year-on-year basis, the performance in FY '22-'23 for the top line, bottom line and the physical commissioning, it is all time high for RVNL in this current financial year that is FY '22-'23.

**Sandeep Satodia:**

So, sir, in that case, in case the physical performance of Q4 is much better than the corresponding period of last year, can we hope to see an effect of that in the Q1 of FY '23-'24 where the physical achievement of...

**Rajesh Prasad:**

Yes, yes. It may get reflected in the financials, may be in Q1 of FY '23-'24.

**Sandeep Satodia:**

That is very reassuring sir. Sir, my last question is with respect to our SPV, we've seen a continuously improved performance as per management commentary in most of the SPVs with new ones getting, going online, being commissioned but the profit share from the SPVs, if you actually see year-on-year is really not showing the same kind of growth that RVNL parent company is showing, or it is sort of stagnating with a 10% plus minus contribution to our profits to RVNL. And with more spread, with more emphasis on coal, iron ore, bulk commodities getting transported by rail, how come it's not reflecting in the contribution of our SPVs to our company?

**Rajesh Prasad:**

Okay. So I will cite examples. Let us first take the example of BDRCL. Two years back, it was totally red. The company was in a stage to basically get closed also, getting declared as NPA. It started giving the profit in the previous financial year, and if you see the PAT of this particular company, it increased from INR29 crores to INR46.89 crores in FY '22-'23. So the PAT has increased to 61% by 61.3%, and if you see the loan position, the debt part, the BDRCL is having a debt of only INR8.77 crores, and on it, on any day it can become debt free company.

So it is getting reflected. So the money which it used to earn, which was going to the bank, now it will come to the various shareholders and in this particular case, the shareholder, the shareholding of RVNL was 35.46%.

Now take the example of Kutch Rail Company. The PAT has increased from INR137 crores to INR232 crores. The increase is around 70% and with its internal resources and with a subsequent debt of around INR1,000 crores, the company could complete and commission the entire section of doubling and the railway electrification. So in time to come, we are going to have more and more traffic over here but if, since some assets have been created, some liabilities are there.

Now take the example of Krishnapatnam. In FY '21-'22, the PAT was minus INR115 crores and this financial year, the PAT has gone up to INR28.5 crores. What I want to say is that this company is again showing a lot of profit, and the traffic has gone up in Krishnapatnam by almost 80%. In FY '21-'22, it transported 3,093 rakes, whereas, in FY '22-'23, it transported more than 5,400 rakes.

So what I wanted to tell you is that the efficiency of the SPVs, the PAT of the SPVs, the output of the SPVs all are going up and in time to come and for the first time this BDRCL and HPRCL have paid dividends. So you will have to appreciate that there is a turnaround in all these SPVs and we have already commissioned this ASRL. So they have already started moving traffic. In the month of March, it transported around 177 rakes, in the month of April 200 rakes. So in time to come these SPVs are going to play a major role, and I am very happy to inform that they have generated revenue. If you combine all these SPVs, they have crossed the mark of INR1 lakh crores.

So INR1 lakh crores of revenue without the investment of Ministry of Railways and we have been able to execute project worth INR11,800 crores with our equity infusion of INR1,144 crores. So these SPV models have been working well and in time to come you will see more and more, better and better results in terms of the PAT, in terms of the loading, in terms of the transportation of number of rakes. So it is only a matter of time and the trend will continue.

**Sandeep Satodia:**

These are very encouraging figures, sir, and we do hope that they will contribute substantially to our company and us as shareholders. Sir, my last question is with respect to the non-core orders that we are taking in the infrastructure sector, more like ports, canals, roads, what is the expertise that the company has, or are we totally relying on our joint venture partners to deliver?

**Rajesh Prasad:**

See, if you see the strength of this particular company, this has been only the project delivery, the focused approach and we have been able to deliver under the worst conditions in the past, and it is only because of the focused approach we have got the efficiency of a private sector, authority of public sector, and the technical issues, we solve it technically and this is the expertise of this particular company, we are very vibrant, young and we are aware about the project requirements, all projects are different, and we are involved in the complete project life cycle, starting from the concept, design, DPR, execution, then completion, the defect liability.

So what I wanted to tell you is that we have got the sufficient expertise, we have got the manpower who have got the exposure of execution of all kinds of projects under very adverse conditions and we would be able to deliver, see all the projects are very complicated and require different kind of approaches, and we have got the experience, we are having the exposure of execution of the project under different conditions, and we will be able to deliver whether it is an irrigation project, whether it is a metro project and today we are executing so many projects in different metro cities.

We are executing tunnel works, we have got tunnel works in three, four project sites and in Karnaprayag-Rishikesh, in the last one and a half years, we have executed 100 kilometers of tunneling, so -- and this irrigation project is also having a canal and four, five kilometers of tunnel. So these are simple with respect to the projects, which we have executed, or which we are executing.

**Sandeep Satodia:**

So, sir, when you say this tunnel works and the canal works then I assume that the same would go for the various road projects also that the company has taken that you have managed to gain, or get sufficient expertise even for the road projects?

- Rajesh Prasad:** Yes, yes, road project is simpler than the railway infrastructure projects. In fact, if you see the railway infrastructure, typical railway infrastructure, the day, the formation is over then the railway infrastructure, real railway infrastructure starts, wherein, the road sector immediately you just do the black topping and the road is open, whereas, the railways are much more complicated, and if you are able to commission more than 15,000 route kilometers of railway infrastructure, the road sector is very, very less challenging with respect to the railway infrastructure.
- Sandeep Satodia:** Thank you sir. That is all from my side.
- Moderator:** Thank you. We take the next question from the line of Ms. Smita Mohta from Kredent InfoEdge. Please go ahead ma'am. Ms. Smita, your line is unmuted, please go ahead with your question. Looks like the line for Ms. Smita has got disconnected.
- We take the next question from the line of Mr. Vishal Periwal from IDBI Capital. Please go ahead sir.
- Vishal Periwal:** Yes sir, thanks a lot for the opportunity. Sir, can you guide us how -- I think we are doing, I mean like as we are trying to become a full-fledged company and going for bidding and then having a procurement, legal tender, other cells are also there. So what exactly are we planning to do at capex for FY '24, if you can just give some guidance?
- Rajesh Prasad:** So your question is that what is going to be the capex in time to come. You are talking about the turnover, the future turnover of FY '23-'24?
- Vishal Periwal:** No sir, I think any equipment that we plan to procure.
- Rajesh Prasad:** Yes, we are also working in that particular direction. I will cite one example, we have been declared lowest bidder for three underground packages of Chennai Metro, and there we are going to procure the equipment, the special kind of equipment, for example, trench cutters. We would be purchasing those machines, we will be operating it and we want to maximize the margin. The idea behind of this is that we want to diversify ourselves, we want to test ourselves and since this particular company is very vibrant, young and we have got the expertise, we want to utilize this in this particular field and the idea behind this is also to increase the margin from these projects, these kind of projects.
- Vishal Periwal:** Okay sir. And sir, there is, I mean, the cash in the books, that is own cash excluding the advances, will it be handy with you right now, if you can provide?
- Sanjeeb Kumar:** We have our own cash as well as most of these tenders, the contracts we get have a provision for mobilization advances also, but we bid on our own credentials and we have bank guarantees fully backed up through fixed deposits and our own credentials.
- Vishal Periwal:** Okay sir. Sir, next and maybe last thing from my side, and then I'll come in the question queue. I think you mentioned order book of around INR56,000-odd crores, railway is INR36,700 crores something you mentioned, remaining is what sir sector-wise?

- Rajesh Prasad:** I said INR36,977 crores. Now if you want to have the breakup of this INR36,977 crores, this is as on 31st March 2023, the double line is around INR6,358 crores, new line is INR18,826 crores, the metro and other is INR11,285 crores, and maybe a very small amount of GC. So we have got the complete basket of INR36,900 crores around INR20,000 crores.
- Vishal Periwal:** Sorry sir, I think I just missed on the last line, railway is INR36,900 crores, remaining is, which sector sir?
- Rajesh Prasad:** I said bidding, bidding means business development.
- Vishal Periwal:** Sure sir. And then will that sector be handy with you in terms of which sector they are in the bidding pie that you think sir?
- Rajesh Prasad:** See we have identified the sectors where we should participate in the bids and the metro segment is one, the road segment is another. We are also thinking to participate in all kinds of infrastructures like the municipality and the irrigation, but the requirement is that the volume and the size of the project should be big. It should have some kind of technical challenges and where we can really contribute for this Atmanirbhar Bharat, and execution of the projects, which is timely following quality and the safety norms.
- Vishal Periwal:** Sure sir, got it sir. Thank you very much sir, I'll come back in the queue. Thank you.
- Moderator:** Thank you. We take the next question from the line of Ms. Ankita Shah from Elara Capital, please go ahead.
- Ankita Shah:** Yes, thank you for the opportunity and congratulations sir on very good performance in FY '22. Sir, wanted to understand the margin a little better. So you mentioned that we are doing a lot of value-added activities, which is leading to better margins. So we already know that for the nominated projects from railways, we have 8.5% gross margins. So for the bided projects what would be the average margins blended for those kind of projects, or do we have break up within segments, which kind...
- Rajesh Prasad:** Ankita ji, it's a very nice question, but I'll tell you one thing that the first we are very new in this particular bidding process, and we started bidding only around one year and nine months back, and the first two projects were from Indore Metro and they have started fetching the basically results, and I can tell you that the margins, which we are getting from the Indore Metro, the first two projects, which we got from the bidding is more than the projects, which we got on nomination basis from Ministry of Railways.
- So things will differ, there will be a project where the margins will be less, but we want to optimize, we want to make sure that there is a value addition and we want to make sure that the gross margin upon turnover remains in that particular range, which we have been achieving in the past.
- Ankita Shah:** Got it. Also sir any range in terms of margin, how well -- see, currently we are at around 6%, 6.2% for the full year?

**Rajesh Prasad:** It is not that simple calculation, see no two projects are identical, the projects have got a full life cycle and it passes through the different kind of challenges, and some of the challenges we also do not anticipate and we do not understand in the beginning. So it will depend once the project is over, completed, commissioned, then only we can work out.

So in the beginning we are not in a position to say that what exactly will be the margin, but we will be doing a lot of value addition. We are trying to procure the machineries, the construction material and in time to come you can see so many changes in our company's execution plan. We have already started bidding in the market for the last one year and nine months. We have already become from local rail infra to global all-infra. We are executing all kinds of projects.

So the diversification is one of the strengths of this particular company. We were having the focused approach, we were basically very much flexible, and now we are diversifying. So these are the strengths of the company and in time to come, you will see these things affecting the project delivery and also the margins in time to come.

**Pradeep Gaur:** Just I'll add to what is mentioned. See basically we are going in a two pronged approach. The first one we have to be competitive to get the work, and second in order to have the good margins, we have to be innovative. So it's a double pronged strategy and we are moving on that, so that we are able to not only have the margins what we had from the railway project and even go beyond that and still having a good order book, so that our top line continues to show a good CAGR.

So that is the ambition, on which we are all of us are working very hard and in a very focused way and as my colleague mentioned, you can kindly appreciate the way this organization has been able to get orders of almost INR20,000 crores in last one, one and a half year when we started bidding. I am sure you will see a very good and an exciting period from RNVN. I am very confident of that.

**Ankita Shah:** Yes sir, much appreciate the smooth transition and the strong influence that the company has received. Sir, also I wanted to understand on these new projects, do we have escalation clause for material price increase variations?

**Rajesh Prasad:** See all projects are different and the clients are also different and the contractual requirements are different. The documents, the provisions made in the various documents are different. So all are having the price variations, but the calculation formula differ from project to project, and yes price variations are there. Sometimes it may not escalate to the level of escalation in the market, but we are working at the stage of pre-bid, the pre-tender stage, and we are basically calculating all kinds of risk of the price escalation and accordingly we are participating in the bids.

**Ankita Shah:** Got it, got it, sir. Sir, last one, what should be the share of international orders in the current order book?

**Rajesh Prasad:** See the order book, the Maldives project was around INR1,500 crores, which we are executing. We have already started execution and we have already got some advance around INR250 crores from the authority who has assigned this particular project from whom we have gone, which is

an interest free advance, and at present this is the only project where we are executing, but there are so many things and so many projects, which are there in the pipeline.

**Ankita Shah:** Okay. Got it sir. Thank you and wish you all the very best.

**Pradeep Gaur:** Thank you so much.

**Moderator:** Thank you. We take the next question from the line of Maitri Korecha, Individual Investor. Please go ahead.

**Maitri Korecha:** Sir, I am asking this question off record. Good evening sir. Sir, this is just an extension to what the earlier question was about the TMH and RVNL for Vande Bharat. So sir, there are 200 trains sets, right? So this will be like 16 coach or eight coach moving forward and on the timeline, sir, this is two to five years is being kind of estimated, but if you are saying that the 12 trains or 18 trains will get released every year then will the timeline get stretched, and what is the size of the contract approximately? How does the disbursement of payment happen, sir?

**Pradeep Gaur:** Yes, as far as, see that original tenure was for 200 trains and the condition was this order will be distributed between L1 and L2 offer -- offerors. So we were the L1 offeror, we were L1 and we were given the order for 120 trains and the 80 trains order was given to the L2 at the price of L1.

See we had quoted INR120 crores per train set. So we were given order of 120 trains at INR120 crores. The L2 had quoted INR139 crores, but they have been given order of 80 trains at INR120 crores per train. So as far as...

**Maitri Korecha:** Titagarh...?

**Pradeep Gaur:** Titagarh and BHEL, joint venture.

**Maitri Korecha:** Okay. Understood, sir. The size of the contract for this will be 200, INR120 crores into 120, right?

**Pradeep Gaur:** That is our order. And there is an order of 35 years maintenance, which is also, that will come to around INR130 crores per train set for 35 years. So the total order will come to around INR30,000 crores, INR32,000 crores. Secondly -- sorry?

**Maitri Korecha:** Please, please go ahead.

**Pradeep Gaur:** So this contract is not only for manufacturing, this contract also includes maintenance over a period of 35 years for each of these train sets, and that cost will be more than INR120 crores per train set. There is a price given around, it comes to 3% every year approximately, averaging. So it will come to 35 into three, approximately 105% of INR120 crores. So that is also part of the order.

Now coming to the timeline, the timeline is very clear. Within two years we have to make two train sets prototypes, which will go undergo trial. The trial period is normally five to six months, and once the trial is over, then and the trial is approved, the prototype is approved, then we go for manufacturing.

So we will be manufacturing 120 train sets over a period of five years after the prototype is approved. So it will be effectively two years plus five years. So the...

**Maitri Korecha:** Two years plus five years. Yes, I understood. And sir so basically in the next two years you will be releasing two train sets, that's what you're saying?

**Pradeep Gaur:** Yes, those will be prototypes, which will undergo trials. And once those prototypes are approved, those also will become part of the 120 trains.

**Maitri Korecha:** So the disbursement of the payment will happen when you -- if you bring out two train sets, then the disbursement for two train sets will happen in terms of payment?

**Pradeep Gaur:** Yes, what will happen, once the prototype is approved, then 90% of the payment will be released, 90% of INR120 crores, once the trials are over and prototype is approved.

**Moderator:** Thank you, sir. We take the next question from the line of Ms. Smita Mohta from Kredent InfoEdge. Please go ahead, ma'am.

**Smita Mohta:** Okay, okay. So my question is, sir, in the last phone call, you had said that for '23-'24, you expect top line to be INR20,000 crores plus and bottom line to be between INR1,300 crores and above, okay?

Second of all, last phone call, you had a bidding revenue of INR70,000 crores, which is this year INR56,000 crores, this quarter is INR56,000 crores?

And my third question is, so why is this revenue so less and what can we expect moving forward?

And the last question is that this train revenue, that is 150 trains ordered that you have got, so how much margin are you expected to make in that? Because in the last phone call, you had said that your gross margins is 6% to 7% and your net margins would be 5.6% to 5.8%. So just few in that, and why are your trade payable so high? That's it from my side.

**Rajesh Prasad:** Okay, madam, I have understood your question. So you were making the reference of the last con call. So what we have said is that in FY '23-'24, the top line will be more than INR20,000 crores, INR21,000 crores plus and the bottom line will be more than INR1,200 crores.

So in FY '22-'23, we have already crossed the mark of INR20,000 crores and in FY '23-'24, we are likely to exceed this INR20,282 crores, maybe around INR22,000 crores, INR23,000 crores. The fact, the bottom line this year was INR1,268 crores and we are 100% sure that in next financial year, that is FY '23-'24, it will be better than this.

Now coming back to the margin, now you see the, I had said in the beginning that we have got three, four models, and the model which is variable is now the projects, which we are getting from the market. We have been working on that. We are trying to maximize the profit and what are the steps which we have taken, we have already deliberated upon, we have already told you.

So in time to come, you will see that the gross margin, which is 5.77% in FY '22-'23, will definitely be maintained and maybe we will have some better margin in some of the projects. So



since these projects are in the beginning, in the initial stage of the project life cycle, so at this stage, it is difficult to comment upon that what exactly will be the margin because every project passes through the different project life cycles, different kind of spaces, different kind of challenges, and only at the end of the project, we can say that this was the margin, which we could achieve.

But the focus is very much clear and the idea behind our approach has been that we should maximize the margin and we can assure you that in time to come, we are going to have the same kind of margins, at least the margins which we have achieved. And I have cited one example also, the projects, which we have taken from the market, which have started resulting, basically giving the dividends like Indore project, there the margin is better than the margin, which we have been -- for the projects, which we have been getting from the nomination basis.

**Smita Mohta:**

Okay. One more question sir. Currently your nomination and your bidding ratio is 80/20, so your nomination is 80 and your bidding is 20, and you said in last con call that it is going to change. So over how many years are you expecting and what kind of ratio change are you expecting in this?

And second of all, in your results, you mentioned one expense amount, which you have not received from KRCL. So what is the timeline to receive that?

**Rajesh Prasad:**

Okay. So let me answer one-by-one. So you are asking about the ratio. So you see, one and half year back, the 100% project was on nomination basis. Now we are having INR36,900 crores in nomination, INR20,000 crores through the bidding. So you can appreciate that one year and nine months, the ratio is changing very fast.

And in time to come, the nomination work is getting reduced, the Government of India's nomination project and maybe through the business development and bidding, that particular ratio will go up and we have been working in that particular line.

Now regarding the KRCL, you are right, there is a trade receivable, but I have said during this meeting, this investors' meet, that there is a total turnaround in the KRCL performance from minus INR115 crores if the PAT was more than INR28.5 crores. And there were two stations, which we have got it commissioned. The traffic efficiency movement has gone up. The number of racks transported has gone up.

And see, these trade receivables are basically depending upon the outcome of the arbitration. A tribunal has already been formed. It is in almost completion stage. The last set of hearings are likely to take place in the third week of June 2023. And we are likely to get a positive result because the issues, the disputes are only two number of major disputes, that is the terminal cost and the freight apportionment for the siding.

See, the commissioning took place starting from October 2008 to June 2019 in different phases. And the Government of India, Ministry of Railways had decided to give these from 2017 onwards, whereas, the KRCL wanted to have from the date of commencement of the train operations. So, this is very logical and if Government of India and Ministry of Railways has agreed from 2017, they should agree from the 2009.

So the thing is that the system is very clear and the case is very strong. The tribunal is likely to publish the award and the moment these awards are published, everything will set right. And we are very hopeful about the claims and the dispute is very simple, which I have narrated, which I have tried to explain.

**Moderator:** Thank you, sir. We take the next question from the line of Mr. Ram Chakarborthy, Individual Investor. Please go ahead, sir.

**Ram Chakarborthy:** Good evening, sir. Heartiest congratulations for the very good set of numbers and for the positivity.

**Ram Chakarborthy:** Okay. Thank you, sir. Now my question, I have just a small -- three, four small questions. The thing is, of the current year's revenue, what is the percentage, which is attributable to the nomination basis orders? And in your order pipeline, which you have right now, what is the bidding pipeline, which is there? Can you please tell that to me?

**Rajesh Prasad:** I said that the present order book as on 31st March 2023 is INR56,000 crores plus out of which around INR36,977 crores is the nomination and rest is bidding. And in time to come, we are going to have only from the business development bidding and no nomination from the Government of India. So the ratio is going to change in time to come. So this was your first question. And what was your second question?

**Ram Chakarborthy:** And my second question is that one more question, which I have, which is that regarding this Kazakh order, in how many years would that be executable?

**Management:** How we are going to execute...

**Ram Chakarborthy:** Three, four years?

**Pradeep Gaur:** Yes, yes, sorry. Kyrgyztan, the execution will be same, exactly in the same way, the way we do assigned projects of Indian Railways, because that project also will be on assignment basis to RVNL.

**Ram Chakarborthy:** Okay, sir. And my final request to you, sir, is if you can please supply a comprehensive investor presentation, so that we can track the order inflows and execution better and all the financials with the ratios, free cash flows and everything. If you can present this investor presentation like other companies do, that will be very helpful for us sir.

**Pradeep Gaur:** Yes, yes, we will do it. We will do it. Absolutely, I think we want to give as much information to our esteemed investors, so definitely we will do it.

**Ram Chakarborthy:** Thanks a lot. Thanks a lot, sir. Okay, and best of luck, sir.

**Moderator:** Thank you, sir. Ladies and gentlemen, due to paucity of time, that was the last question for the day. We will now conclude the earnings conference call. On behalf of Rail Vikas Nigam Limited, thank you for joining us and you may now disconnect your lines.

**Pradeep Gaur:** Thank you so much. Thank you so much.

**Management:** Thank you very much.