

RVNL/SECY/STEX/2024

12.01.2024

National Stock Exchange of India Ltd. Exchange Plaza, Plot no. C-1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051 Scrip: RVNL	BSE Limited Department of Corporate Service, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001 Scrip: 542649
--	--

Sub: Transcript of Investor round table talk/webinar

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

Dear Sir/Madam,

This is in continuation to our letter of even no. dated 08.01.2024 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 – Investor- Board Meetings, Board Committees & General Disclosure - General Disclosures

Link:

[https://rvnl.org/RVNL cms/uploads/boardmeeting/Transcript08012024.pdf](https://rvnl.org/RVNL/cms/uploads/boardmeeting/Transcript08012024.pdf)

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

“Investor round table talk/webinar on 8th January, 2024 with RVNL’s Management”

Amisha Vora: So it is my absolute privilege to introduce you all to Mr. Rajesh Prasad who is the director operations in Rail Vikas Nigam Ltd. And who has given us time today to give us insights on the RVNL and its prospects.

But before that it is my absolute privilege to tell you all his professional journey, his key achievements and beyond everything how in a public sector he has made a huge difference to our nation building.

So Mr. Rajesh Prasad is the director of operations with RVNL with effect from March 2020. He is a graduate in civil engineering from IIT Kanpur and also an MTech in environmental engineering from IIT Kanpur.

He is from prestigious Indian Railway Service of Engineers exam 1988 batch. And he has put in almost 31 years in railway and RVNL in different capacities. He has been awarded certificate of Merit four times and has also received Railway Minister's award for the best project for Advanced Management program in 2005-06. He was also recipient of Service Medal and certificate of Merit from Railway Minister for outstanding work for the year 2008-09.

He has written more than 25 technical papers and presented in various forums.

He has completed several flagship projects under as executive director of RVNL and he has visited many countries and he's one of the biggest and main architect who had the vision and is putting on the efforts to make RVNL from railway infra to all infra.

Mr. Prasad, thank you so much for being with us. And in this session we would like to cover four aspects:

One is the broader crisp summary of what's happening in indian railway, what is Ministry of Railways and Government of India's vision and how RVNL will play a critical role - how it will impact its future. Beyond that, of course we will cover the broader vision of all infra company and what it will mean in terms of RVNL's P/L balance sheet, cash flow. These two, three aspects we would like to cover during our discussion today for the investors, as you know, who are both institutional and HNI's.

So over to you, sir, for a brief update on how do you think are the critical change in railway and how do you think that is going to hold over next three years in terms of railway, capex and so on.

Rajesh: Okay, so very good Amisha ji, Happy New year.

Amisha: Happy New year

Rajesh: Its Winter in Delhi. Mumbai is always warmer weather wise and financial wise. Also, I'm equally privileged to be part of this particular premier show with a company like Prabhudas Lilladher. I was going through few documents which are available in the public domain and this particular company was incorporated just before the independence. So you are also in Amrit Kaal period like India. You have already completed 75 years. Then what I have noted and Mrs. Reenaji had told that you have already taken over this company. So I'm a bit late to congratulate you.

Congratulations.

And when Reena told me that I've had to attend this interview so then I thought there is no second option available to me.

So I do not know how to start the conversation because there are four or five aspects of this particular thing. You are talking about the capex, you are talking about the future vision. You are talking about the RVNL.

So I will take first the RVNL.

Amisha: Okay sir.

Rajesh: So what are the strength of this particular company? This company is not very old like your company.

It is only 21 year old company. It is young, vibrant. Then pushing, dashing and Navratna company.

And besides that, if you see then it has got a proven track record. It is also known as the Blue Chip Infra Company.

And in past we have been handed over 180 odd projects. We have commissioned 140 projects and handed over for the operations by the Ministry of Railways.

We are the pioneer and the trailbazers in the formation of the SPVs.

The special purpose vehicles which are basically PPP models.

And the beauty of these models is that with an equity of around 1250 crores we have executed projects worth 12,500 Crs. So we have management fee out of that.

And these SPVs have been commissioned and they have generated revenue to the extent of more than one lakh Crs for government of India without a single passive investment.

So we consider ourselves the trailblazer and pioneer in this PPP model. Now we have been contributing significantly in creation of the infrastructures in the country.

Now if you see these statistics you will be surprised to make a note that in last five years total infrastructure projects which was created for Indian Railways we had contributed 29%.

And the double line, third line, fourth line project we have commissioned around 3225 km which constitutes around 33% of the total doubling. Now you are asking about the capex. Nowadays a lot of statistics are being discussed in the market and one such statistics is what was there in the year 2014 and what is happening today.

So in 2014, the capex was 58,000 Crs which has gone up to 2,45,000 Crs. Quantum jump in this. And then honourable minister has also said that in coming years it will vary from 2,45,000 to 2,60,000 Crs.

Now during this period if you see the performance of RVNL, the turnover in 2013-14, I have got the precise numbers it was around 2500 Crs. The top line and the bottom line was around 150 Crs. and in the year 2022-23 it has to 20,500 Crs and the PAT was more than 1,275 Crs. Now if you see the performance in the first half of this financial year, for the first time we have crossed this 10,000 marks. And the top line and the bottom line we have crossed 700 marks.

For a company like this, which is a government company it is very difficult to change the course. But again we have changed from the role of contract manager to contractor. It is just like a fish from an environment which is fully protected whether it is a small pond or swimming pool or bucket, now it has

been allowed to swim in a river or sea. So the comfort level has gone up. But risk factors are there. The bigger fish will may eat, the smaller fishes. So the margins are there, they are getting affected. But it is a path of growth also.

I was going through one of your interviews then you had said that this decade is for India. Am I correct?

Amisha: Absolutely, sir.

Rajesh: If this decade is for India, so the Indian infrastructures in all sectors will grow. RVNL will play a very pivotal role. So coming back to the question, the answer which I was supplementing that our role is getting changed from contract manager to contractor.

Amisha: Correct.

Rajesh: Getting diversified. A lot of activities are required to be done at the stage of prebuilt engineering. Then a lot of homeworks are required. Then more professionalism basically is the need of the hour.

So, I will take some time. I have got plenty of time. So, give me time to say a few things,

Amisha: Please Sir.

Rajesh: For this you have to understand what exactly you mean by project. What do you understand by project implementation and what you understand by the project lifecycle?

Amisha: Correct.

Rajesh: So very simple language. I will explain. Project means converting vision into reality.

Amisha: Absolutely.

Rajesh: Right and no two projects are identical. Just like our fingers. Every project is having its own challenges. It has got different resources, resource mobilization, the budgeting, then the timelines and risks involved in this. And the project lifecycle starts from the concept, design, estimation, feasibility, DPR, then the tenders, contract management, execution, defect liability period and handing over.

Why I am telling all this?

Because RVNL is involved in the complete project and we are aware about the intricacies of each and every phase. Biggest strength of this particular company that we are fully involved in this. Now the role has been changed. See, I was also going through some interview where you are talking about the COVID that the country had basically navigated the COVID period. See in last ten years, the company's performance have always excelled with respect to the previous financial year. And even during the COVID period it has surpassed the financials of the previous financial year. So it was a big achievement. And then we realized that yes, we can have a better contribution in the country in time to come.

Amisha: Correct.

Rajesh: So we shifted from local rail infra to global, all infra. Earlier there was only one client. Now we have got plenty of clients. Earlier doing only the rail infrastructures. Now we are keen to execute all kinds of infrastructures. But the transition was not that simple. In a government company it is not that easy to change course. But again, the strength of this particular company is that we are highly focused and the reaction action time is very less.

Amisha: Correct

Rajesh: This makes this particular company totally different. And see why I'm telling you all this is because the order book becomes very important. The survival of the company becomes very important. So we had a top line of around 20,300 Crs. More or less, it will remain same. It will go to 21- 22,000 Crs. We want the bottom line to grow and the project timeline. See if you want to know the breakup of this particular margins.

Amisha: Sir, can I interrupt for 1 minute?

Rajesh: Yeah, please tell me.

Amisha: Before going to margins, I wanted to understand as project management company, when you take end to end responsibility to adhere to timelines, quality and budgets, whose responsibility is that? And are there any fallback to RVNL, if not from railway and global contracts, that if you did not adhere the contract in time or within the cost, is there anything that liability comes to?

Rajesh: You see, let me explain it this way. The basic requirement of any project implementation, you said three things. I will add fourth one also. Number one is the quality. Number two is the timeline. Number three is the safety. Number four is dispute free. And number five is the cost. So there is a triangle between quality time and cost.

Amisha: Correct.

Rajesh: Any side of the triangle, the other two sides get affected. So basic principle of the project management is that you should adhere to these timelines. Do the best quality work. See, we try our level best to follow the best quality works, the norms, the best safety norms, following the highest safety norms. And see, when we are working as a contract manager, then the roles are totally different. Then we are controlling everything.

But when you are working as a contractor, then it depends upon the clients and it depends upon the contract provisions made where you have signed the agreement. So we are aware about this. So whenever we are doing any pre bid engineering, we allocate risk, we allocate margins, we locate everything and based on that, we react and we accordingly participate. We accordingly get the bid.

Amisha: Also, my one understanding is correct, that broadly, while you take up any size of contract, there is no capital commitment from your side. It is of course you have to organize capital as part of the complete project management. But there is no capital commitment. So it's a pure service business. Is that understanding correct?

Rajesh: No, it is not correct. Because at the very beginning I said, see, you'll have to understand. The company was basically incorporated in 2003. And the idea behind this was that this company will be assigned the projects for execution. They will mobilize resources from the market and they will form small, small SPVs.

Subsequent resource mobilization was withdrawn by MoR .The reason behind this, that IRFC was already in place. So our role was limited to project implementation.

Amisha: Correct.

Rajesh: Also the formation of SPVs. We had commissioned five number of special purpose vehicles for which I have already stated that how much return it has generated and how the RVNL has also got benefit out of execution of the projects. So, coming back to your suggestion that yes, we are fully aware about

the contractual requirements which vary from contract to contract for the Ministry of Railways Contract. Yes, we are fully aware. And for the contracts which we have got from the market, we have got globally.

So these things are very well laid down. We are aware about this and we try to follow and adhere to this. Touchwood. We are very good in implementation of the projects. Whether it is related to the safety, whether it is related to the quality.

Amisha: So, in case cost overrun or time overrun, any liability comes back to RVNL?

Rajesh: See, again, I'm telling you.

Amisha: Or it in turn goes to the contractor. Because you are just a manager.

Rajesh: Let me speak on this. There are two models. One model is that the project which we have been assigned by the Ministry of Railways. And the second model, which is very recent, it is only two years and few months old, that we have started getting the projects on the bidding. So as far as the projects which we have been assigned by Ministry of Railways, it has got the fixed management fee. So, once it has got the fixed management fee. So whatever cost is there, you will get the management fee. So the part is very well taken care of. Working in the market, you have taken the projects through the bidding. Then every contract is having its own price variation clauses. Sometimes it basically gives good return. Sometimes it may not be able to compensate. So for that, what we do at this stage of Pre-bid, is that we go into the details and we allocate risk factors.

Amisha: Sure, sir. But even for bidding. Understood? It's not an EPC bidding that you are doing. It's the project management bidding that you are doing. Right? Ultimately, EPC will be someone else?

Rajesh: Yes, you were right. The role is, See, earlier we were working as a contract manager, as a client. Now, when you are working as a contractor, so then your client is somebody else. Number one, you are governed by the contract documents. And each, as I said in the beginning, no two projects are identical. So here also the same principle is applied. No two contracts are applied same. And accordingly, it varies from the contract to contract.

Amisha: So, from Ministry of Railway, which is the assigned contract book or order book, is there milestone based sales that you all book?

Rajesh: No, it's not that. See, it depends is that the RVNL is an implementation unit for the projects which we have been assigned by Ministry of Railways. There are so many things which are not within our control. We do our best. But the approvals the commissioner of railway safety inspections by the different ministry.

They are not under control of RVNL. It is under the Ministry of Railways. Either it is under control of ministry of Railways or they coordinate for this. So, there are some issues which are linked to the ministry. There are some issues which are linked to the RVNL. So, we try to do our best. You'll have to understand one more thing, that 180 odd projects they have transferred and then we have more than 140 projects. And we have been contributing around 35% of all the projects in Indian railway system.

Amisha: Correct

Rajesh: Yes. You are muted?

Amisha: No.

Rajesh: Okay, fine. So, you wanted to know the reason of the vision of the Indian railway system. You tell me what exactly you want. Then I will go to that particular specific question.

Amisha: A large part of your order book and top line will come from Ministry of Railways budgets. So as what you covered in one of your replies that the budget is going to be, it has grown substantially in last ten years. And for next two three years, which is the immediate future, it will be around this 250000 - 260,000 crores. The one growth is to continue to either grow your market share within railways or maintain it, which is where the big part of the business is.

Rajesh: So we have got the proven track record in the railway segment.

Amisha: Correct.

Rajesh: We are very confident. And our honorable minister keeps on saying that railway infrastructure is very complicated and complex. I will briefly explain. You compare with the NHAI, the road project. Both execute the formation works. Formation works. They just lay the blacktop and it is open for the traffic. But our work starts from there, we have to lay the track, we have to lay the system, we have to lay the signaling works., We have to lay the overhead equipments and then it has to be integrated in the various stations. And you don't have to close the traffic. Under the running traffic condition you have to integrate. And then ministry of civil aviation will come into picture for authorization. So these projects are very complicated and complex.

Amisha: It's not easy for anyone else.

Rajesh: Yes, it is not that easy. and RVNL has got the complete command in this. We are expert in this. And we have performed, reformed, performed. And now we are performing also whether it is a railway sector, whether it is outside railway sector. So, what I wanted to tell you is that the railway segment will remain a preferred segment. But we are looking for the opportunities in other segments. What are the other segments?

Amisha: Like?

Rajesh: So your question I have understood. So the metro segment. Let us take the example of the metro. In our country today, around 52 cities have been planned with the metros. We are executing seven cities metro construction of different parts, different parts of the project lifecycles in seven cities. High speed corridor. See, we are presently in the country. We have got only one corridor of 500 km.

Please make a record of this that by 2047 we are going to have 10,000 high speed networks. How it will be done, how it will be executed, that is a matter of different story.

But the way we have been growing, the way we have got, changed our mindset. The country is going to have 10,000 high speed networks. Now, if you see the network of the Indian railway system in 1951 we had around 53,000 route kilometers. Now we have got 68,000 route kilometers only. So, the increase will be around maybe 25% to 30%. Somebody can calculate this. But the passenger traffic and the goods have gone up by 2000%.

And the four sides and the two diagonals of the diamond quadrilateral, it constitutes only 16% of the length and passenger wise, And the freight wise, it carries 52% and 58% capacity augmentation projects it has gone by only 300%. So there is requirement even today if you check the kind of sanction which is available for the double line, third line, it is more than 17,000 km. So, in time to come we are going to have a lot of capacity augmentation projects.

Number one, DFC. We had earlier sanctioned the eastern part and the western part. The eastern part is getting further extended to Dhankuni. Now, earlier we were not involved in the DFC projects. The reasons were that this particular company's role were different. The DFC company was different. They were having different roles. Now, in future, the DFC corridors are being executed by the construction department. They have already floated few tenders. We are participating.

The north south corridor is going to come up very soon. So, what I am saying is that in time to come we will also get involved in implementation of the DFC corridor and the 10,000 high speed corridors which I mentioned, the pre-feasibility studies were done by us. We had submitted the reports three, four years back.

And I can tell you that in time to come you will see this. Delhi to Chandigarh and Delhi to Varanasi high speed corridors. Reality.

We are talking about the vision. But I am talking about the reality that it will come. This is the vision of the honorable prime minister and the railway minister.

Amisha: Correct.

Rajesh: Let me. Give me some more time. What exactly is the vision of the Ministry of Railways or government.

Amisha: Correct.

Rajesh: The first vision is that 100% gauge conversion which is likely to be over by March 2024. The beauty of this particular policy is that the loss of transshipment and efficiency will go away. Then the next vision is the 100% railway electrification. Madam, you are from the finance side, but I will tell you the advantages of this. Number one, the import of the fuel diesel will go down number.

Amisha: Because of 100% railway electrification?

Rajesh: Yes, 100% railway electrification. And it's likely to be completed by March 2024. Okay. Now the second advantage is that the traction cost. The traction cost if you have the electric locomotives and if you have the diesel locomotives, the cost of the diesel locomotive, diesel traction is more than double. So, suppose you are, I'm just assuming one figure that here you are spending one lakh or two lakh Crs of traction cost it will become half. Number three, the carbon footprints. You are not polluting, and this is a greener way of the transportation system. There was a news, infra news. It is in front of me.

The cabinet killers. Indian Railways pact with USAID used is basically United States agency for international development in India. This is in connection with the 100% electrification and the green transportation system. So, this is the second reason.

Now if you want to know what the other reason are, the safety, the coverage, station development capacity, augmentation, capex and there are two more important aspects which I want to cover through this forum. Number one is the logistic cost and number three is the modal share. So, the logistic cost, if you want to see the logistic market of the country it is more than \$200 billion. Presently, the logistic cost is around 16% of the economy, but if you want to compete worldwide, it has to be around 8%. Now the models here.

Amisha: Exactly.

Rajesh: So what I was talking about the models here. See in 1951 Indian Railway was carrying around 73 million tons of traffic and the modal share was 88%. Modal share was 88%. Today in FY 22 23 it was

around 1500 million tons and the modal share 26%. What are the advantages if you transport through the rail sector? The first advantage is that the cost of cargo transportation is Rs 1.5 per ton kilometer. Whereas if you transport through the road it is more than Rs four per ton per kilometer. It is almost three times. Now it is not only related to this, the carbon emission. Carbon emission, I will tell you a simple figure. If you transport through the railway, the carbon emission will be 30 fuel equivalent grams of CO2 per passenger per kilometer. Whereas if it is transported by road it may be around 50 or 60. So, it has got the environmental impact. Number one, the cost. Number three, the logistic cost is becoming very, very important. That is why this logistic policy came into the picture. And there is a big thrust that we should augment the railway infrastructures and in time to come we are going to have large number of infrastructures. What is the national Rail plan? The national rail plans, the very basic principle is that whatever infrastructure is required by the year 2050, it should be in place by 2030. Very simple. And the modal share they are targeting to go up from 26% to maybe around 45, 46%.

Amisha: So by what?

Rajesh: Yeah, by 2047

Amisha: okay, from 26 to almost double.

Rajesh: Yeah,

Amisha: Almost double on a growing basis because the growth will be there in the whole freight market share gain.

Rajesh: So I will summarize the vision of the Indian Railways. The Uni gauge number, 100% railway electrifications and number three, capacity augmentation number four, which I forgot to tell, connecting the unconnected area which is required for the overall development and economy of the country. Then station development, safety, then logistic, cost reduction, modal share increase. And see the 100 year plan, the vision 100 years for the Amrit Kal is under preparation and all these things will come into picture.

So again, I'm telling you that Government of India, Ministry of Railway all have got a very broad vision in time to come. It is not only the decade which will belong to India. Maybe consecutively three, four decades will belong to India.

Amisha: Yes, absolutely. We will all work and pray together to continue to happen. But this is what I was really looking for, for a broader vision where the fortunes of RVNL are connected to. And it gives that not only you all are working at increasing the efficiency and productivity of the economy being a very major contributor in the logistic cost, you all are also working for the safety. And one aspect on safety that you touched upon, maybe Kavach, is it coming under RVNL and what is the broader vision for coverage or the size of opportunity for coverage?

Rajesh: I do not have the numbers, But the idea is that we should have 100% fail safe arrangements for the collision. And there have been some trials. In fact I was going through some news item railway conducts coverage efficiency trial at 140 kmph between Mathura and Palwal. This happened sometime back and then again it was coming in the news. So the entire country and all the sections are getting covered. Regarding the involvement of RVNL, see we are not directly involved in the coverage but we are trying to diversify and in that particular area this is also one of the field where we want to get diversified and how we will do it, how we will be able to enter into it, is yet to be seen. But what exactly we have done for the country which have forgot to mention is that we have constructed 20 turnkey projects,

workshops. And all have been done on a very fast track. There. The coaches, wagons, even the locomotives will be maintained, will be manufactured. It is a part of the at Nirvar Bharat. And we call it a 3d approach. That is, you design it, you develop it and you dedicate it.

Amisha: So RVNL in future can go into making of coaches?

Rajesh: Yes, we are already there. We have already entered into a contract. And we are seriously thinking for diversifying. Because the numbers, the locomotives, then the wagons, the coaches, what are the numbers which we are having today and what exactly we will have after 2047 it is mind boggling. And you will be surprised to know that if I am having the figure I can tell you that would be very interesting.

Amisha: But that means from a service industry and a project management company, RVNL can become in future a manufacturing company?

Rajesh: We have already become by doing these kind of turnkey projects. And for your information, we have already bagged one contract for the manufacture of Vande Bharat trains. And I do not know whether you are aware about it or not.

Amisha: Yes.

Rajesh: So, if you are aware, this Vande Bharat is an indigenous make in India semi high speed trains. And it comprises of 16 coaches. It has got faster acceleration, deceleration, very less jerk make in India. So, we signed an MoU with some Russian companies. MW the metro wagon mass having a share of 70%. LES which is a subsidiary is having a 5% share. RVNL share was 25%. We formed an SPV named Kinet Rail Solution. And then MCMA has been signed. MCMA is the maintenance manufacturing agreement. And this agreement was signed somewhere in the month of September. And we are supposed to do the mock-up by March. And first prototype is to be manufactured in two years after signing of MCMA. Then second is 24 months plus two months. And then subsequently twelve in first year, 18 in next year.

So you are a financial person. So I will tell you in terms of the numbers that you are doing. But how much you are getting. What is the scope of the revenue? Our bid was 120 Crs for 120 train sets. So it is roughly around 14,000 - 15,000 crores. And then these rakes, these train sets will be maintained for 35 years. So that particular revenue continues for 35 years. And the average maintenance cost will be more than 4% per year. So, if you calculate 4% of 120 train sets at the rate of 120 Crs for 35 years it will be around 21,000 crores. So, if you add all this, it will get a revenue of around 36,000 Crs. And out of that RVNL share will be around 8500 Crs to 9000 Crs. And balance share will be who I already told MWM will have 70%.

Amisha: Understood. That particular SPV will have the whole. But in that you all are holding equity in some. Understood.

Rajesh: So this particular company, the manufacturing will be done at Latur. See, everything is predecided. I am firm believer of God. We constructed a factory at Latur and the handing over, taking over was not done. It is still under process. And we also did a trial for manufacturing. One coach, we wanted to take over this factory. We did not get. And because of the government of India's policy that nothing will be given on nomination basis. But through bidding we have got this now. And now we will be manufacturing the same at Latur factory which have been constructed on a very fast track by RVNL. And

besides this, there are three workshops which will be upgraded by RVNL for the purpose of maintenance. One will be at Jodhpur, the other will be at Delhi. And the third one will be at, I think it is Bangalore.

Amisha: Just one very basic question. When we say capacity augmentation and adding Vande Bharat trains, who funds this? Ministry of railway?

Rajesh: Yes.

Amisha: Through long term borrowing from any long resources, whether global or domestic, pension or insurance, is that what it is?

Rajesh: Ministry of Railways prerogative. We have got no role in this. Once the project, either it is assigned, which has now been stopped or through the bidding we get. And then the financial conditions are very well laid down in the contract documents.

Amisha: And is this pending on Vande bharat trains or any more capacity augmentation trains is part of the railway 250,000 crore budget?

Rajesh: Most probably, yes. Because it is a kind of a capex. It is a kind of a capex, yes.

Amisha: And this, when you do this kind of a manufacturing, whether Vande bharat trains or in some form coaches and locomotives, the margins will be fairly and starkly different?

Rajesh: A lot of challenges would be there, madam. You'll have to appreciate is one part.

Amisha: But any manufacturing is having 12-15% plus kind of EBITDA margin. Not first year, but maybe third or fifth year.

Rajesh: Yes, margins would be there. So, we work out the economics at the stage of pre-bidding and there are so many risks involved in this. And we also conduct the sensitivity analysis, analysis is that suppose the market scenario changes. You are supposed to complete the project in three years, but you complete in five years. The interest of the bank has gone up or gone down. The external factors are there. So based on that, you can always conduct a sensitivity analysis and accordingly you can work out the IRR, you can work out the debt service coverage ratio. And there are so many things, the financial terms which come into picture. I'm not a financial person, I'll explain it to you very frankly. But I know some of the basic things of the finance.

Amisha: Okay sir, we will also open the floor for questions. But before that, in case you can touch upon on two aspects. I was going through your financials and I found that the free cash generation from business has been varying a lot. Is that all right? This is the question which I can touch upon with you, sir?

Rajesh: Yes madam.

Amisha: If you see, last three years, the free cash generation has been very different on a broadly consistent top line. So, what could be the reason for that?

Rajesh: The top line is changing. It is growing.

Amisha: That is growing. But at the same time, it is not falling, going up. It's not volatile. But free cash generation is very volatile.

Rajesh: Okay, so the free cash which you are talking about. So let me see.

Amisha: I'll just give you numbers so that it might just help you, sir. Net cash flow from operating activities in 2020 was -900, 21 was positive 400, 2022 was 4700 crores and 2023 was -4000 crores. So that I was a little bit not able to understand and that was caused by huge change in working capital. So why should your working capital change so much?

Rajesh: Okay, so madam, I will club with some more information with this question and I'll cover some aspects. Give me some time. Only two days back, one of my very close friend who is now heading the Gati Sakti department of Ministry of Railways forwarded a WhatsApp and he forwarded that how much debt RVNL carry. And he forwarded the message WhatsApp University that RVNL had a basically debt of 59.6 billion INR in September 20, 363.2 billion INR in 2022 through this channel, through this platform. I want to clarify that RVNL is a debt free company. I repeat, this is a debt free company. We had a tripartite agreement between RVNL, IRFC and MoR. The principal and debt are paid by Ministry of Railways. And this model is applicable. Yeah, this model is applicable to all the MoR projects assigned to RVNL for which IRFC is financing. IRFC is also a listed company under Ministry of Railways and as per the tripartite agreement, the principal, I repeat, the principal and the interest are to be paid by MoR. It only passes through the books of the RVNL.

Amisha: I totally agree.

Rajesh: Now coming back to your question, see I'll have to clarify this way that earlier we used to get the advance in parts as per the pink book outlays by Ministry of Railways issued by Ministry of Railways. Subsequently it was decided that we will not get the advance. We will have to claim the reimbursements and accordingly, first we execute the work and then we call for the , basically we ask for the reimbursements. And if you see these figures, what exactly had happened in the fy 22? A substantial advance was given by Ministry of Railways at the fag end of 22 which could not be utilized because only few days, two three days were left. So it got reflected in the next financial year. Madam, if you permit me then I will tell you some financials because I am not a financial person.

Amisha: But it is very will help us how to value the business.

Rajesh: But it is very interesting for any investor. This particular company was formed with a share capital, authorized share capital of 2080 Cr. Paid up share capital of 2085 crores and authorized share capital was 3000 Crs. So this 2085 Crs was basically infusion was done from a period say 2003 to 2010. Now if you scalate these numbers as on date it will become around 5000 Crs. Now the company has paid back the dividends from 2008 to 2023 to the government. And if you escalate with the same interest it will be around 2400 Crs. Now disinvestments have taken place. IPO 29 April 29 ofs one in March 21 and then 23 July ofs two. So 12.16% and then ofs one ofs two was 15%. So government of India share is 72.84%. So this investment, if you further escalate it will be around 2600 Crs. So the government of India infused 5000 Crs with the interest it has been paid back through disinvestment and dividends, 5000Crs. So whatever money you have invested, you have got back. Now today the market capitalization of this particular company is how much? 39,000 Crs. And the government's ownership is 72.84%. Meaning thereby government is having the holding of 32,000 Crs. So whatever money you have spent you have got back and you have got the ownership of 32,000 Crs. So you can imagine the kind of contribution RVNL has made through these numbers.

Amisha: Absolutely. But minority investors and a representative of minority investors. I know the track record is phenomenal. But how is the top line, bottom line growth, which was phenomenal in last few years, if you see your PAT growth had been in the vicinity of 20%. If I say 19 to 23, CAGR will come to

17, 18% somewhere market is expecting 24, 25 to be little flattish. Is that correct assumption? Because looking at the opportunity size and that railway is just about to be beginning the whole transition from very revenue expenses driven or the operational expenses driven to capex driven organization focusing on its own profitability. I think your growth also should have been much better. So what kind of growth do you foresee over next three years, sir?

Rajesh: Okay, so let me explain it this way That we are very much focused on the overall growth of the company. What we expect is that the top line will grow, but the growth will not be that much. Because we are in market. We have to take the bids from the market. But the kind of expertise which we have got, the kind of value addition which we do, we expect that the bottom line will grow. And from the investors perspective, bottom line is more important. Not in terms of percentage, but in terms of the gross numbers. So the bottom line, if you see the performance in first six months, again, it has grown at the rate of 18% to 20%. And we expect that. And we try to do the basically incremental, the delta in the bottom line with this number, challenges are there, but we are trying our level best. And here comes the expertise of this particular company, who have already proven the track record in past. And see when you are talking about the margins, when you are talking about that, how much money you are getting. So our honorable prime minister keeps on telling, if you permit, then I can tell otherwise I will avoid this.

Amisha: No sir, my pleasure.

Rajesh: He keeps on saying that infrastructure creation, whatever infrastructure, army or the Ministry of Railway is creating is directly linked to so many things. It is linked to the social justice, it is linked to the social requirements, it increases the ease of living, it increases the job opportunities, it boosts to the economy. Then the overall development and then overall market capitalization of this company also goes up, which has gone on to 39,000 Crs. So, it has got intangible benefits, which anyway, whoever are the shareholders are getting this. So, if you see the margins, if you see the overall aspects, this company has been contributing a lot for the creation of the infrastructures earlier, the railway infrastructures, in time to come all kinds of infrastructures.

Amisha: Absolutely, sir. I'll open the floor for questions. Meet you can also ask. and you can ask participants to also ask the questions over to you. Thank you so much, sir. and you will have to permit me to come down someday and spend few more hours with you.

Rajesh: I don't know, madam, but yes, I will try to do that.

Amisha: Thank you, sir. Meet questions from you.

Rajesh: I've got a meeting at 12:30 hours.

Amisha: We know that, sir. Sharp 1230. We will end it quickly. Take one or two.

Meet: So participants who wish to ask and put it in the Q&A chat. So for now we have one question with regards to the global opportunity. So you spoke about the domestic opportunity we have within India. How big could our opportunity be in say the IMEC corridor or the ongoing projects that you have in some middle eastern countries? So how big could that opportunity be for us?

Rajesh: So let me start with this. That the export market is huge and the margin is also very good. See what exactly has impacted RVNL. So earlier we were getting only works through the nomination basis. So somewhere in December 2021, Ministry of Railways issued an office memorandum that here is a company which is very competent to execute all kinds of infrastructure. Then Ministry of Railways issued

an export policy and then we got the Navratna status. So, our main focus has been neighbouring countries like Maldives, Mauritius, Bangladesh, Sri Lanka, Nepal, Africa continent. And only thing what we want to see is that the funding is very much assured like World bank, the ADB, the African Development Bank, JICA, European funding agencies. The idea is the funding has to be insured. So, if you want to know what exactly we are doing, there are few bits in Nepal which we are going to participate. There are two projects, JICA funded in Bangladesh, few LoC projects. We are eyeing for that in Botswana. We have submitted the RFP and see the margins in these projects are very high. Then we have participated in a tender for the Maldives sports complex. We are in the process of opening offices in South Africa, Oman and Dubai. So, in time to come you will see the presence worldwide and the margins are really very good. I will cite one example. The first overseas project. I forgot to tell about the Indian project. The first Indian projects, Indore projects. We got it at about one year and few months back. And in one year and six months we did the trial and the margin was much better than the margin which we used to get through the nomination basis. Similarly, the first overseas project, Maldives, we have done a reclamation of 1.25 hectare land into a 22 hectare land in a period of four months. And there also, the margin was much more than the margin which was available by the government of India through the nomination basis. So it is just like what I had said earlier, that the fish from the protected swimming pool has gone into the sea and the adventures are there, the challenges are there, but at the same time, wider area to swim and grow and earn also.

Meet: Absolutely, sir. And so you mentioned that for competitive bidding and even for export orders, the margins are significantly higher now as the share of these projects keeps on increasing. With our order book, where do you see our margin trajectory over the next three to five years?

Rajesh: See, if you see the margin, there are two numbers. One is the absolute numbers, and one is the margin upon turnover. So, the margin over turnover, this particular ratio is more or less fixed. It varies from 5.8 to 6 because the nomination, the management fee, et cetera, is fixed. Now we are more in the project execution through the bidding. So, the numbers will change. There could be a project where we may incur into the losses. But overall, we want to see that the margin continues, and we are able to give the positive results in terms of the margins. And there are some intangible benefits of the margins also, which I had just now said. So, what I see, what I can foresee is that in time to come, the margin will be higher than this. Because we are in market, we can do a lot of value additions. Now, no company would be better than this company. As far as the technicality is concerned, we are highly technical. It is a very small company. We have got a manpower of only 400 persons.

Amisha: Absolutely. So I was just thinking that it must be so technically qualified, this entire team to manage a whole cycle of such large projects.

Rajesh: So, madam, every day the reviews are there. It is being done at the level of CMD and the directors and each PIU. We call it a project implementation unit. They are connected and we basically get involved to the bottom. And we see that each and every problem. See, the technical problems cannot be resolved managerially. And here comes the technical expertise that come into play. It has to be resolved technically. You cannot work like a manager. So, what I want to say..

Amisha: Very well said. Very well said.

Rajesh: If you want to close, then before closing, I would say few sentences and if any more question is there, then I can answer

Amisha: Meet, just check What are the questions?

Meet: Just one last question. We have one on the order book. So I think currently we are close to say 70 odd thousand crores. And sir, any guidance on where FY 24 could end and whether or not we see the order book cross one lakh crores and do we stop bidding at some point of order book threshold. So any guidance on the order book part?

Rajesh: I have understood the question. So let me explain this. So, this year the guidance was that we will achieve the top line of 21,000 Crs plus the bottom line around 1400 Cr plus and the order book one lakh Cr. See if you are having a top line of around 21,000 crores-20,000 crores. So the basic norm which we want to maintain is that the order book should be at least three to four times means it should be around 80,000 Crs plus. So we have set an internal target of one lakh Crs. So we may land around 80 to 85,000 Cr but in time to come we are working and we are trying to get some overseas projects and also participating aggressively. So let us see how we land. But the order book should grow. And again I am telling you the basic norm of three to four times order book we want to maintain and we will make sure that down the line three to four years we are going to have the order book maybe touching one lakh crores all the time. So if you the projects it will go down. But at the same time there should be some new addition.

Meet: Perfect. Great. Thank you sir.

Rajesh: Should I conclude?

Amisha: Yes sir. Thank you very much for your time. It was absolutely enlightening on both the railway vision, the capabilities of RVNL and the kind of contribution you in particular and your team has been doing in making it successful.

Rajesh: Apne toh both praise kia but I do not know whether I deserve it or not but I will tell few things the honourable prime minister keeps on telling. I follow his tweets et cetera.

Aaj naya Bharat naya laqshya tay kar raha hai, naye raste gadh raha hai , nayi umang hai, naya safar hai, nayi soch , disha nayi hai , drishti naye hai, sankalp naya hai , viswas naya hai. So, what I am saying is that the new India is altogether in different mindset and hamara ek bahut hi pyara sa RVNL ka anthem hai , uska four lines ham hamesha quote kar dete hain .. somebody likes it.. somebody doesn't like it but I keep on quoting "Hum Bharat ka sornim kal hai, baat nahi itihaas ki, rahe durgam par hum saksham hai gati vikas ki."

So this is a very small company but we are trying our level best to do the best and that is why the market has also appreciated us.

Amisha: Absolutely, sir. Market has. Absolutely.

Rajesh: Person like you is appreciating means something good must have been done by this company.

Amisha: So true, sir. Absolutely.

Rajesh: And a very long, long and sustainable innings ahead is what I wish to you and all of us, the shareholders and would be shareholders for you all.

Amisha: Thank you so much for your time again, sir.