

No. RITES/SECY/NSE

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To  Listing Department, National Stock Exchange of India Limited, 'Exchange Plaza', C-1, Block G, Bandra - Kurla Complex, Bandra (E), Mumbai - 400 051	To  Corporate Relationship Department, BSE Limited, Rotunda Building, P J Towers, Dalal Street, Fort, Mumbai - 400 001
<b>Scrip Code- RITES</b>	<b>Scrip Code- 541556</b>

**Sub: Outcome of investors/analysts meet - Transcript of the Conference Call on  
Financial Results for Quarter ended on 30<sup>th</sup> June, 2022**

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


Sir/Ma'am,

Please find enclosed herewith Transcript of the Conference call with analysts and investors held on Friday, July 29, 2022 to discuss the Financial Results of the Company for the quarter ended on 30<sup>th</sup> June, 2022.

You are requested to take this information on record.

Thanking You,

Yours faithfully,  
For RITES Limited

  
**Joshit Ranjan Sikidar**  
Company Secretary & Compliance Officer  
Membership No.: A32442

**Transforming to GREEN**

# RITES Limited

## Q1 FY2023 Earnings Conference Call

Event Date / Time : 29/07/2022, 11:00 Hrs  
Event Duration : 58 mins 21 secs



Management: **Shri Rahul Mithal**  
Chairman and Managing Director

**Shri Gopi Sureshkumar Varadarajan**  
Director-Projects

**Shri Anil Vij**  
Director-Technical

**Shri. Bibhu Prasad Nayak**  
Director-Finance

## Q&A PARTICIPANTS:

1. Sanjay Doshi	Nippon India Mutual Fund
2. Jainam Shah	Equirus Securities Private Limited
3. Chintan Sheth	Sameeksha Capital
4. Uttam Srimal	Axis Securities Ltd
5. Arafat Saiyed	Reliance Securities
6. Anuj Jain	ValueQuest Capital
7. Parimal Mithani	Individual Investor
8. Shreyans Mehta	Equirus
9. Gaurav Jahagirdar	Individual Investor
10. Venkatesh Subramanian	LogicTree
11. Viraj Mithani	Jupiter Financial
12. Nikhil Abhyankar	DAM Capital
13. Ms. Prachi kadam	IDBI Capital
14. Rohan Samant	Multi-Act
15. Rohit Natarajan	Antique
16. Kunal Sheth	B&K
17. Harshit Kapadia	Elara Capital

## **Moderator**

Good morning, ladies and gentlemen. I'm Kritika, moderator for RITES limited Q1 FY23 earnings conference call hosted by DAM Capital Advisors Limited. As a reminder, all participants 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 \*, then 0 on your touch-tone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. Mohit Kumar from DAM Capital. Thank you and over to you, sir.

## **Mohit Kumar**

Thank you Kritika, on behalf of DAM Capital, we welcome you all to the Q1 FY23 earnings call of RITES Limited. We have with us Shri Rahul Mithal, Chairman and Managing Director; Shri Gopi Sureshkumar Varadarajan, Director-Projects, Shri Anil Vij, Director-Technical, Shri Bibhu Prasad Nayak, Director-Finance. Without much delay, I'll hand over the call to CMD sir to take over the proceedings. Thank you.

## **Management Team**

Good morning, everybody. Let me begin with the customary Safe Harbor statement. The presentation, press release, which we have uploaded on our website yesterday and discussions during the call today, may have some forward-looking statements. These statements are considering the environment we see as of today. And obviously carry a risk in terms of uncertainty because of which the actual results would be different. We do not undertake to update those statements periodically.

Now, let me give you a brief overview of the performance of Q1, you must have already seen the details. It's an exciting time for us here at Team RITES. We are surging ahead. The Q1 results show that we continue to be on the path of a V-shaped recovery, as I said, which is in sync with the rebound of the economy.

The key takeaways have been that the Q1 of this year has been the highest ever operating revenue of Q1 ever. Not only that, but it's also the highest ever core EBIDTA of Q1, highest ever profit of Q1 and the highest ever EPS of Q1. It's also a growth as you see a 70% year-on-year growth in revenue. It's an 85% year-on-year growth in profit. And we have already declared an interim dividend of ₹ 4 per share. So, this has been possible due to a continued momentum coming across all our sectors of revenue and very disciplined execution at the ground level as well as very closely monitored cost cutting measures. Further on the business development front, there have been a very encouraging trend. We have got 90 orders in Q1 itself totaling to about ₹ 700 crore. And the order book has jumped by about ₹ 250 crore from 31st March to 30th June. So, with those brief opening comments, I hand over the floor for questions.

## **Moderator**

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press \* and 1 on your telephone keypad and wait for your turn to ask the question. If you'd like to withdraw your request, you may do so by pressing \* and 1 again.

Participants are kindly requested to restrict with one question in the initial round and may join the queue for further questions. Ladies and gentlemen, if you have a question, please press \* and 1 on your telephone keypad. We will wait for a moment while the question queue assembles. First question comes from Rohit Natarajan from Antique. Please go ahead.

**Rohit Natarajan**

Thank you. Thank you for this opportunity. Sir, my first question is on the export's potential. We understand that earlier you were looking at some international projects, but due to COVID, things weren't really moving at the pace what you decide, but now it's back to normalization. So, are we looking at some big-ticket numbers over there? If you're looking what exactly is the timeline for conversion of the two orders, and what exactly will be the tentative margin profile that you would be building in.

**Management Team**

Right. So, as you understand, there are two parts of our international revenue. One is international consultancy, and one is Expotech, that is export of rolling stock. So, coming first to international consultancy, as I pointed out after the last quarter that in FY'21-'22, we did an all-time high of ₹ 100 crore in international consultancy, which was more than the average of about ₹ 60 odd crore in the previous years. And we had started bidding very aggressively in the last few months in a number of international consultancy leads and in fact, that has started giving us results already in the first quarter. So, in fact to name one or two big orders, which we have received in international consultancy, we have received the PMC for the Ghana Railways for about ₹ 97 crore. We have received a construction supervision order for Guyana highways for about ₹ 25 crore.

So, these are some of the examples where our aggressive outreach in the international consultancy area has started giving results. Not only that, but it has also started converting into revenue, so the international consultancy in Q1 has given us ₹ 45 crore as against a total of Rs.100 crore in the last FY. So, as you see there is a jump in that, and we will continue to focus in this area. The second portion is the Expotech, exports of rolling stock. As you correctly mentioned that in the last two to two-and-a-half years, we did not get any fresh orders of export of rolling stock. And the two live orders, which we got about two to two-and-a-half years back, they were in the process of delivery, that is Mozambique, and the Sri Lanka orders.

And as I've been mentioning, in the beginning of this FY also, we had a balance of about ₹ 400 crore against one of these two orders. And we were expecting that by the end of Q2 and Q3, this order will complete. So, all efforts are now on to get some finite concrete orders across a number of leads. And we are quite confident that down the coming months, we will be able to get some big orders in exports, which will then have a lead time. So, it will take some months to get fructified into revenue. So, I'm expecting some export type revenue to start maturing against new orders by early Q1 next year.

**Rohit Natarajan**

Any tentative number or any near term like prospective number that you would look in?

## **Management Team**

So, that will be speculative, we are following up on a number of leads to convert them into orders. And as soon as they fructify into orders, we will be informing you. Right now, they're all work in progress, but as I said, definitely some orders are expected to mature in the coming quarters.

## **Rohit Natarajan**

Just to touch upon the same subject itself, now that given we have seen an inflationary pressures.

## **Management Team**

I think you can come back for a follow-up question later.

## **Rohit Natarajan**

Sure. No issues, yeah.

## **Moderator**

Next question comes from Shreyans Mehta from Equirus. Please go ahead.

## **Shreyans Mehta**

Yeah, sir. Congratulations on a very strong set of numbers. Sir, two questions from my side. One in terms of the Consultancy and Turnkey, you know, we've seen, that we are almost back to the pre-COVID levels, in fact, better than the pre-COVID levels. So, are these in terms of revenue and margins, you know, sustainable?

## **Management Team**

Well, we have made all our efforts to as I mentioned at the end of FY21-'22 that our target for '21-'22 was to come back to pre-COVID levels. And you correctly said we surpassed it by about 8% both in top and bottom line. Even in Q1, we have, as I said done much better than the pre-COVID levels. Margins have been very good in Q1, but I think since as you correctly appreciate, our revenue is a mix of four streams and each one of them has a wide range of margins, while turnkey the margins are very low, and in QA, international consultancy and Consultancy in general, the margins are higher. So, while the mix changes from quarter to quarter and there may be a variation in the margins quarter to quarter, but yes, our efforts are to keep on a healthy mix of the four streams so that the margins are sustained at an appreciable level.

## **Shreyans Mehta**

Got it, sure. And my second question is again pertaining to the export segment. Now that you know from the consultancy.

## Management Team

I think you can come back for your second question in the queue please, if you don't mind.

## Shreyans Mehta

Sure.

## Moderator

Participants are requested to ask one question in the initial round and may join the queue for further questions. We are having a question from Harshit Kapadia from Elara Capital. Please go ahead.

## Harshit Kapadia

Thanks for the opportunity and an extremely good set of numbers and you know, coming back to the pre-COVID level, my congratulations to management for this performance. My question to you sir is, what is the order into pipeline that you look in the consultancy space, both domestic and international. You highlighted something on the international side, but what other geographies are we looking at apart from Ghana if you can share. Looking on the turnkey projects because the order inflow was reaching Q1, what projects are we looking in terms of the railway side which can be and a follow-up question is what is the quality assurance between the consultancy domestic number?

## Management Team

So, as far as order book is concerned, as I mentioned, we got orders for about ₹ 700 crore in Q1. Our current order book stands at about ₹ 5100 crore plus and the breakup is about ₹ 2500 crore in consultancy, about ₹ 2100 crore in turnkey, the balance in Expotech for the Mozambique is about ₹ 350 crore and the balance is the leasing, etc. So, to answer your specific question in terms of targeting, which areas, so there are two to three points. In each of these segments, in consultancy, we have been targeting besides domestic consultancy across sectors, whether it is highways or ports or airports, tunnels, bridges, railways, QA, we have been targeting aggressively international consultancy in all. Whether it is metros, whether it is railways, whether it is highways, we have been targeting that continuously and as I said that showed results in Q1 with ₹ 45 crore revenue. In terms of Expotech for international orders, we have been as I mentioned in my reply to the previous question, we are targeting both African as well as Southeast Asian countries. And we are aiming for them to mature into some orders by the latter part of this year.

In Turnkey, we have an order book of about ₹ 2100 crore. In terms of railways Turnkey, we have been targeting, getting more and more works. Railways has changed over to the EPC mode. We are now already participating, targeting a number of railway tenders and coming months, will show how that pans out. Besides the turnkey in the railway infra, we are also looking at opportunities in the turnkey in certain building segments, in certain metro segments. So, going forward, we are targeting the turnkey domestic in a number of areas as also growing in international consultancy and exports. The QA has been showing a healthy trend. The QA revenue has been ₹ 89 crore in Q1, which is as against ₹ 60 crore in the last Q1 of FY22.

**Harshit Kapadia**

Thank you, sir, I will come back for more questions in the queue.

**Moderator**

Thank you, sir. Next question comes from Gaurav Jahagirdar, an Individual Investor. Please go ahead.

**Gaurav Jahagirdar**

Thank you, sir. My questions were already covered by the previous participants. Thank you.

**Management Team**

Thank you.

**Moderator**

Thank you, sir. Next question comes from Venkatesh Subramanian from LogicTree. Please go ahead.

**Venkatesh Subramanian**

Good morning. Very nice numbers. Thank you. And your answers are also very clear. So, makes the life easy for all of us, sir. So, I have two questions. Second question, I'll reserve it for later. Question is out of the, apart from the 4 streams of revenue that you mentioned, one of the important areas that we have been talking about in the last few quarters as being REMCL, which is the Renewable Energy Division and I think you had some big plans for this, and can you throw us some light on what kind of the opportunity it is, what is our focus, what kind of top line can we expect from that particular division in say 2-3 years' time sir.

**Management Team**

So, REMCL has been doing well. In fact, the Quarter One results have shown a growth vis-a-vis Q1 of FY2122. It's been a growth in both top line and bottom line, ₹ 27 crore top line, ₹ 14 crore bottom line. It has taken a number of initiatives, so traditional work of doing the power purchase for Indian railways that has been growing, it has also floated a number of tenders for solar power. Our windmill plant at Jaisalmer, that has shown an all-time high in terms of the availability, in terms of the output, in terms of the revenue. So, REMCL has been showing a lot of growth and I foresee it playing more and more role in the renewable energy sector also, besides doing the traditional work of power purchase for the Indian railways.

**Venkatesh Subramanian**

So, the size of the opportunity over there and our plans envisaged, if I remember, some concalls about 4-5 quarters back, the top line that division can generate or say in two years' time, it was a



very significant number that was mentioned, sir. Can you share with us what kind of vision you have say 2-3 years down the line in terms of top line for that particular division, REMCL?

**Management Team**

You see REMCL has been, we have been trying to garner more and more opportunities in development of solar power and that has to fructify, and we've had various rounds of trying to get into that and now also, we have floated two tenders for developing solar power, both on the developer mode. So, going forward as these find their finality, I think then you will see a jump in the top line and the bottom line as against the normal sustained growth, so that will be the tipping point for seeing the vertical growth. I think in the coming quarters, because as I said these are developmental tender, these are early on, so there are products based on the stakeholders' interaction, we are trying to find the best solution which is a win-win situation for both us and the stakeholders. So, I think going forward, you will see more finite larger growth in the bottom and top lines of REMCL.

**Venkatesh Subramanian**

If everything goes well, can that be ₹ 1000 Crore top line intake?

**Management Team**

I won't like to speculate a number, but I said the vision is very clear to go in a big way forward as these mature into finite orders and finite things, the coming months, we will be informing you and I'll be sharing more details as they fructify into finite orders.

**Venkatesh Subramanian**

Okay, sir. Thank you.

**Moderator**

Thank you, sir. Next question comes from Viraj Mithani from Jupiter Finance. Please go ahead.

**Viraj Mithani**

Good morning, sir, and congratulations on good set of numbers. My question is regarding, you mentioned about Smart City in the last call. Any color on that in terms of revenue growth?

**Management Team**

Yes. So, we have been getting a lot of good orders, good work being done by us in urban engineering. The urban engineering vertical has been doing work in important cities as you must be reading also, it was covered a lot in the public domain. We were doing lot of work in the Chandigarh Tricity Consultancy. We have been doing work for development of the mobility plan for Guwahati. We have been doing the logistic plan for Leh-Kargil area. So, we are, and these are just few of the examples, we are getting lot of. We have recently got something from the Rajasthan Roadways Development of their plan, for the bus connectivity. So, we are doing a lot of work in

development of the concepts of the urban engineering coupled with the sustainability aspect of development of these urban engineering plans as well as IT-enabled applications as the underlying current for development of these Smart City Plans.

**Viraj Mithani**

Sir, can you give some color in terms of numbers right now we're doing some growth prospects and the profitability on this vertical?

**Management Team**

So, these are all part of my consultancy revenue, which you see has shown a big growth in terms of the revenue. The domestic revenue itself has gone up to ₹ 149 crore, the total consultancy revenue including QA is ₹ 283 crore for Q1, which is a very big jump, because considering our past trends have been a total of about ₹ 800 to ₹ 900 crore annually. We have managed to reach ₹ 283 crore in Q1 itself. So, these are all contributing, these are all consultancy projects, which we are contributing to my consultancy work.

**Viraj Mithani**

Is it fair to assume sir, we can have one particular vertical matures, we can have some double-digit growth out here in terms of top line and bottom line?

**Management Team**

I think that's for you to say. I mean we are I would like not to just speculate on numbers. We're just aiming at getting an overall growth in the sector in a big way. Thank you.

**Viraj Mithani**

Thank you, sir. I will come in the queue for the next question.

**Moderator**

Thank you, sir. Next question comes from Nikhil Abhyankar from DAM Capital. Please go ahead.

**Nikhil Abhyankar**

Thanks for the opportunity, sir. I just had one question. How do you see the railway infra-order prospect and if you can quantify it for us?

**Management Team**

So, our order book as I mentioned, today Turnkey is about ₹ 2100 crore, which is primarily all the railway turnkey projects. And going forward, as I mentioned for the last few months railways has moved over from the cost plus to the EPC mode and we have placed bids for a number of tenders, whether it is the station development, whether it is new line RE doubling or an electrical works. So, we are bidding in a number of projects, and these have been recent tenders in the past few

months. We are also going to bid in a number of tenders in the coming months in the railway infra growth in turnkey segment. So, going forward as these get finalized, we look forward definitely to some of these maturing into finite orders.

**Nikhil Abhyankar**

Sir, any specific number for the order?

**Management Team**

So, as I mentioned, we have bid in a number of tenders already and are continuing to bid in the coming months. These have just been started by the railways in the last few months on the EPC modes. As they mature into order, only then we can be able to give you a number.

**Nikhil Abhyankar**

Okay. That's it from my side. Thank you.

**Moderator**

Thank you, sir. Next question comes from Prachi Kadam from IDBI Capital. Please go ahead.

**Vishal Periwal** (Introduced as Prachi Kadam)

Thanks for the opportunity. This is Vishal Periwal from IDBI Capital. Two questions from my side. One, you mentioned quality assurance continued to remain strong and there is a railway, in railway sector, most of the projects are on order that we get on bidding. So, quality assurance is a nomination or is it on bidding that we get now?

**Management Team**

So, the railway portion of quality assurance has primarily about 60% roughly on about nomination. And going forward, you must be aware that railways have also started now looking on a EOI, they floated in EOI and we've also gone ahead in that. So, I think with our credentials and our experience in the QA business, you know, things like, I've been doing for a large number of years both for railway rolling stock as well as for railway lines, I mean, we'll continue to go ahead in this line of business.

**Vishal Periwal**

Okay. One question if I may ask, I think we have started on pretty strong footing in Quarter One in terms of growth rate and revenue EBIDTA. How exactly we are targeting for the full-year basis any console number or segmental if you can just get color?

**Management Team**

So, I wouldn't like to give you any kind of speculative figures. But one thing which I can say, as you see the growth, which has happened in FY21-22 as a complete year as well as a trend, which

has been shown in Q1 and going forward with a solid order book and execution, we will continue to maintain these levels of growth. Yes, the margin that I said quarter to quarter may have a variation depending on the mix of the revenue streams, but normally, considering that Q1 should be round about 15 to 20%, that is the normal thumb rule that Q1 is roughly about 15 to 20% of the total top and bottom line. So, seeing our performance on top and bottom line for Q1, we will be aiming the entire year on those lines. Thank you.

**Vishal Periwal**

Sure. Thanks for that. I'll come back in the queue for further questions.

**Moderator**

Thank you, sir. Next question comes from Rohan Samant from Multi-Act. Please go ahead.

**Rohan Samant**

Yeah, thanks for the opportunity. You made a comment that in the turnkey business, bidding is shifting from cost plus to EPC, could you just elaborate on that like, how does it change from an economics point of view for us?

**Management Team**

So, traditionally, you see turnkey or the model, which railways had been following for many years was the cost-plus model, right. In that (model) the variation in terms of cost or time that used to add on doesn't impact us. We used to have the standard model for any PMC consultant doing railway work which was on a percentage of the basic costs. Now, a policy decision having been taken by railways few months back that the subsequent tenders all across the sectors of railways, whether it is the civil infra work or the station development work or the electrical work, they are now coming on the EPC mode, where they are on a fixed cost and a total cost of the work, except certain fixed price variation clauses.

So, obviously, the importance of timely delivery, timely and disciplined execution, more control on the cost and time, becomes all the more critical, and we are geared up for that. And that's why -- as you see, we have already, this as I mentioned, in an answer to a previous question, that disciplined execution has been a very priority area for us in the last few months, which has helped us improve our margin also in Q1. So, that going forward will be a key element for the EPC tenders, which we have bid, which has in the coming months will get finalized and we are hoping to get some orders out of the bids that we have made.

**Rohan Samant**

Okay sure, thanks.

**Moderator**

Thank you, sir. Next question comes from Sanjay Doshi from Nippon India Mutual Fund. Please go ahead.

**Sanjay Doshi**

Good morning, sir. Congratulation to you and the team for a very good first quarter. And to limit myself to just one question which is with respect to our export business, if you can just highlight how many customers or projects are we actively in discussion even if you don't want to give any numbers, but how many projects or countries or customers are we actively in discussion for export business? Just that is the question. Thank you.

**Management Team**

So, as I mentioned, in export, one is export of rolling stock, and one is international consultancy, we are following up and we are bidding also in a number of countries both in the African continent, in the Southeast Asian area, so both in, whether it is in the highway business, whether it is in the railway business, whether it is in the metro business, so that is in consultancy and in export of rolling stock also, we are pitching for a number of African countries as well as Southeast Asian countries.

**Sanjay Doshi**

Okay sir. Thank you very much.

**Moderator**

Thank you. Next question comes from Jainam Shah from Equirus Securities Private Limited. Please go ahead.

**Jainam Shah**

Thanks for the opportunity. Good morning, sir. My question mainly relates to some book keeping questions. So, the first thing is, you have guided for CapEx of around ₹ 150 crore for FY23 and for like near to medium term. So, are we on the guidance and what kind of CapEx we've already incurred for this one quarter?

**Management Team**

Yes. So, our Q1 CapEx has been ₹ 46 crore and the past trend as I mentioned in my previous interactions also, like '21-'22, our CapEx was ₹ 139. We are aiming to be in that range, somewhere between ₹ 100 to ₹ 150 crore that's our aim, and ₹ 46 crore has been the CapEx for Q1. Our CapEx plans are on track, and we will be in that range.

**Jainam Shah**

Okay. And sir, the cash balance of our own funds for June Quarter will be how much, like we have around ₹ 670 Crore for March?

**Management Team**

₹ 769 is my cash balance.

**Jainam Shah**

It is our own fund, not the client fund, right?

**Management Team**

Yes, this is our own fund.

**Jainam Shah**

Okay, thank you sir.

**Moderator**

Thank you, sir. Next question comes from Chintan Sheth from Samiksha Capital. Please go ahead.

**Chintan Sheth**

Thank you for the opportunity and congrats on a good set of numbers. Sir, on export, I think this quarter there will be a spillover to next right, or we can expect the execution to be in 3rd quarter for rollingstock?

**Management Team**

So, we have a balance of about ₹ 360 crore of Expotech order book, out of which about ₹ 250 crore is based on the shipment and balance about ₹ 100 crore is the recurring monthly revenue for our operation and maintenance. So, there's ₹ 250 crore between Q2 and Q3, we're aiming to get it mature. Some portion will be coming in Q3.

**Chintan Sheth**

Okay. And sir, on consultancy we see a very strong recovery in execution and even the order book has improved sharply. How do you see, you pointed out a few areas in terms of where it is coming from, but this run rate of ₹ 250 crore what you feel that will be sustainable going forward given the orderbook we have?

**Management Team**

Yes, our order book has been healthy, and we are continuing to get orders in consultancy, both domestic and international. And we are aiming to maintain this rate of QA revenue. There may be dip in a few quarters here and there in terms of revenue realization, but in terms of the multi-sectoral orders that we are getting as well as the leads that we have, as well as the bids in pipeline that we have, the overall consultancy including QA is definitely going to be a healthy revenue stream.

**Chintan Sheth**

Sure. I will join back, thank you.

**Moderator**

Thank you, sir. Next question comes from Uttam Srimal from Axis Securities Limited. Please go ahead.

**Uttam Srimal**

Yes. My question has already been answered. Thanks. And congratulations for a very good set of numbers

**Management Team**

Thank you.

**Moderator**

Thank you, sir. Next question comes from Arafat Saiyed from Reliance Securities. Please go ahead. Arafat Saiyed from Reliance Securities, please go ahead. There seems to be no response.

**Arafat Saiyed**

Hello, am I audible? Hello. Yeah. Thanks for taking up the questions and congrats on very good numbers. My question is on Metro project.

**Management Team**

Yes, go ahead.

**Arafat Saiyed**

Yeah. So, I just want to understand what kind of spend you're looking in India from Metro project, and your scope and contribution in that segment?

**Management Team**

Metro, we are doing consultancy, across a number of cities, which we have done, which we are doing also. The Ahmedabad Metro, we're doing PMC in the Bangalore Metro, we are doing DPR in the J&K Metro. So, there are projects which we are doing, and we will continue to do that, whether it is a PFR, the DDC, the PMC, we will continue and we are confident that Metro Consultancy. Domestic in any case, will continue to be a key focus area for us. We're also doing as you know, the Mauritius Metro, which is still on, so I think our Metro sector, both domestic and international, will continue to remain a key focus area of our revenue.

**Arafat Saiyed**

Fine sir, thank you.

**Moderator**

Thank you, sir. Next question comes from Anuj Jain from Valley Quest Capital. Please go ahead.

**Anuj Jain**

Hi sir. Thanks for the opportunity. I have one question regarding the locomotive exports. We understand that we were in the advance talks with National Railways of Zimbabwe for a big order. Is there any further update on that, sir?

**Management Team**

So, we are in constant touch with them. We have had a number of deliberations and meetings, and it's work in progress. And the Zimbabwe is also cape gauge, which is similar to the gauge in Mozambique, it's a neighboring country. Mozambique was a very good experience for RITES in collaboration with Indian Railways. This fleet was developed, both locomotives and DEMUs, and it has been successfully sent there. The balance portion is also as I mentioned about ₹ 250 odd crore will be sent in the coming quarters and has received lots of positive response from Mozambique. So, there are a number of countries in Africa, there are about 11 countries in Africa. And so, we will continue to target each of those countries going forward in the coming months and we assure that as they fructify into finite orders, we would be keeping you informed.

**Anuj Jain**

Fine, sir. Thank you.

**Moderator**

Thank you, sir. Next question comes from Parimal Mithani, an Individual Investor. Please go ahead.

**Parimal Mithani**

Hello. Thank you sir for the opportunity and congratulations for good numbers. I have just two questions. One is in terms of your railway JV, what is the status on that? And secondly, are you going to bid separately now since the JV is closed and what's the way ahead sir?

**Management Team**

IRSDC is under the process of formal closure as we've already made a disclosure in our balance sheet also and also which is the same the progress vis-a-vis the last quarter when we had made this disclosure, the processes on and it will lead to its finality in the coming months. The railways has already started coming out, as I mentioned in reply to a previous question, with a number of



station development projects on EPC mode. We have already bid for a number of them, and we will be bidding for them going forward in a number of upcoming tenders in the EPC mode for station development. So, this continues to be an area where we will continue to focus in the coming months.

**Parimal Mithani**

Yeah. Thank you, sir. Thanks for that.

**Moderator**

Thank you, sir. Next question comes from Kunal Seth from BNK. Please go ahead.

**Kunal Sheth**

Hi. Thank you for the opportunity and congratulations on a great set of numbers. My question is pertaining to the consultancy segment. I just wanted to quickly get your views on where do you think the share of consultancy business could be? I mean, will it be you know, similar three years out and within the consultancy segment, do you believe that the share of international consultancy could go up meaningfully over the next three years?

**Management Team**

So, as I mentioned at the end of last quarter and beginning of this financial year that international consultancy is going to be a very major focus area of ours and I gave you some details in reply to a previous question that this has started fructifying into finite revenue and finite orders. As I mentioned, the Ghana order in railways, and the Guyana order in highways. So, on international consultancies front, these efforts have started paying results. As I mentioned, the international consultancy in Q1 gave us a revenue of ₹ 45 crore as against a total FY22 of ₹ 104 crore. So, as you see the international consultancy is growing, we will continue to keep this as a focus area of ours and I foresee that this will continue to grow, notwithstanding that the domestic consultancy also has got a very healthy order book and we are continuing to pitch for a number of domestic consultancy projects across sectors, so both consultancy which includes the domestic and international will continue to grow and will remain a key growth area of ours.

In consultancy, we've been targeting the multi-sectoral growth. And in areas and new areas also, as I mentioned, city planning, urban engineering planning, IT-enabled applications, sustainability and ESG vertical, we've been working on that. That's work in progress, that's going to show more growth, more finite contribution to my consultancy revenue. Operation and maintenance, we've been getting orders, we are growing in that area contributing to our consultancy revenue whether it is operation and maintenance of the conventional railway assets operation and maintenance, we're also looking at operation and maintenance of metros, RRTS and LRTS. So, the consultancy revenue stream will remain a focus area of ours.

**Kunal Sheth**

So, would it be right to assume that the overall share of consultancy in the total revenue would be higher, three years out versus what's it is today?

## **Management Team**

It is quite a high substantial contribution right now itself and this has been a trend. In terms of the mix, we will continue with that, and it will remain one of the key revenue streams for us. In terms of the total pie, as I said, the total pie will keep on, we are aiming to increase it further, both in domestic and international.

## **Kunal Sheth**

Sure sir. Thank you so much. And best of luck for the future projects.

## **Management Team**

Thank you.

## **Moderator**

Thank you, sir. We are having a follow-up question from Harshit Kapadia from Elara Capital. Please go ahead.

## **Harshit Kapadia**

Thank you for giving me the opportunity again. Just a way to clarify sir, you will be mentioning now that the turnkey is now moving from cost plus to EPC mode. So, just wanted to check the working capital here now will be driven by us or still, you know, railways will be doing it, that is one point. And in second, you also mentioned that we will be also bidding for the metro project as well. So, here, it will be all finance by us. How do you try to do the tie-up in terms of working capital if you take the project?

## **Management Team**

So, in the EPC mode also, the working capital is the same, that won't change. The mode change is basically in terms of time and cost overruns. So, as I mentioned, that requires more disciplined execution. So, the working capital requirement, which has been the trend for our past has not been a major critical factor for us. So that would remain in these projects, whether it is the railway EPC mode or whether it is the other areas of turnkey that we are looking at.

## **Harshit Kapadia**

Okay. And given that you are turning to EPC mode, the margin maybe now much better. Can you look at more than 5% margin for at least over between 3 to 4% given your aggressive bidding or current bidding point?

## **Management Team**

No, turnkey gives us about 3 in plus-plus margin. It is a still depressed margin much lower than that. And in the turnkey, whether the mode change will not really effect dramatically upwards or won't lower the margin merge much in vis-à-vis, the total margin trend, which has been there in

the turnkey sector, it just makes it more, you know, as I said, requiring a more disciplined execution, so that there's a focus on not allowing time and cost overrun because if that happens, then the margins would start taking a hit.

**Harshit Kapadia**

Fine. Thank you, sir.

**Management Team**

Thank you.

**Moderator**

Thank you, sir. Next follow-up question comes from Venkatesh Subramanian, from Logic Tree. Please go ahead.

**Venkatesh Subramanian**

So, my question is, one is on the, we have a 24% stake in Indian Station Development Corporation. What is the growth opportunity there? And the second question is, as far as I've observed, RITES, I think you've got a great workforce, but in this kind of transport infrastructure segment, you have 1400 engineers, with the backup team as well. As a PSU and as a government company, I'm sure that there'll be people who will be trying to attract talent from you. What is it that you do to retain it? Can you throw some little light on the work culture that keeps employees motivated to be in, right?

**Management Team**

So, coming specifically to IRSDC, IRSDC has been closed now. We had a ₹ 48-Crore investment in that and then, in the disclosure, I mentioned also sometime back that that it is in the process of getting wound up and the JV shareholders will get their due stake in the coming months as per due process. We continue to, I also mentioned that the railways have started coming out individually zone-wise, number of station development tenders in the EPC mode, which we have bid and will continue to bid, so that this will remain an area of work for us. Second, and I'm glad you asked this question. That's a very interesting question. I mean, I wish that this question is asked more by some more people and I normally answer only one question at a time, but I'm definitely going to answer this question right away as the second question.

You see that is a beauty about RITES. RITES has got about 2800 people, and it has got a mix of young and old, it has got a mix of youth and experience, it has got a mix of people across genders, across experience, across states, across qualifications, and across multi-sectoral experience. So, you could be having a PhD in Geotech, you could be having an MBA in HR, you could be having an MBA in finance, you could be having an MTech in industrial engineering, in building engineering, and those things like that. So, that is a richness of the HR force of RITES, and I think, what attracts them and what continues to keep them doing more and more projects is the kind of thrill and the kind of excitement, which they get in doing the best of the projects.

So, you name any project, which has been in the media, let us say in the last two months, and RITES has been a part of it. So, and traditionally, we've done the best of the projects in tunnels, the Bogibeel bridge, the metros, international metros, so mention any project which was inaugurated, a big project, in the last few months. To give you an example recently, the Bundelkhand expressway was inaugurated by the Honorable PM. RITES has been a part of it. In Delhi, you know, the RTR flyover portion of it, you know, a part of it was recently inaugurated. We have been a part of it. So that is the kind of skill, that is the kind of thrill which my people get here. And that is what continues to attract more and more young people as well as senior people to continue to join that.

**Venkatesh Subramanian**

Right. So, that's a very passionate response from you. I mean, I'm really thrilled to be a shareholder and more importantly, so it's not the money because I'm sure private sector obviously ends up paying more etc. It's the work satisfaction that they derive out of working at RITES, yeah?

**Management Team**

Exactly. You hit the nail on the head and that is what it continues, as I said to attract people. I see people constantly applying whenever we float a vacancy, whenever we are looking for people for a specific project-based contract, we have people having the highest of qualifications and experience wanting to be a part of brand RITES.

**Venkatesh Subramanian**

Right, right. So, you've 1400 engineers, so it will basically, you give a great degree of autonomy, empower people to make decisions because there's a lot of intellectual stuff that's going on. Isn't it?

**Management Team**

Yes, we have 10 different verticals where people are working both within the vertical and also coordinating across verticals for various projects.

**Venkatesh Subramanian**

Super sir. Thank you very much.

**Moderator**

Thank you, sir. Next follow-up question comes from Viraj Mithani from Jupiter Financial. Please go ahead.

**Viraj Mithani**

Thank you, sir for giving me opportunity again. If I were to ask you, vision for next five years of RITES, using like what would be like, which segment would be the leading segment in terms of

growth, revenue, I mean just a thought process. There is no guidance I need from you, thought process because you're a part of industry and you know what's happening there.

### **Management Team**

Yeah, for sure. You see, we are very clear. RITES is primarily a consultancy organization. That is our core strength. That's our inherent strength. That's our DNA and that is what we will continue to be in the coming years, whether it is in the domestic sector, whether it is the international sector, multi-sectoral we already have very strong verticals across various sectors. We are also continuously tapping on new sectors, as I mentioned sustainability, we've started a vertical focused on sustainability and ESG compliances consultancy, Urban engineering a very important area. So primarily, the point that I'm trying to reiterate that consultancy would remain the core focus.

Yes, of course, as you have been seeing in the past 3-4 years as we have graduated also into growth in the turnkey, we would continue to target turnkey in the range of about 20 to 25% of the pie. And that would still remain one of the key areas. And of course, exports of rolling stock have always been a key element of our revenue going forward what would definitely be our aim that export of rolling stock currently sees a sinusoidal revenue because they have lead time of two to three years after we get an order. So, if you analyze the export revenue for last three years, it shows a sinusoidal revenue materialization. So, our aim will be to have a number of export orders so that the revenue materialization in the export stream continues to be on a steady basis, rather being yoyo sinusoidal wave. So, that's the broad vision going forward.

### **Viraj Mithani**

So, it's fair to assume that the major part would be consultancy going forward you know, and that would be the core of the company, then the rest would be the other sector leading to the group. Is it fair to assume that?

### **Management Team**

Of course, as I mentioned, to reiterate, we are the consultancy organization, that's our inherent DNA and we will continue to be a consultancy organization and I mentioned also the contribution of turnkey in our pie, which is going to remain broadly going forward.

### **Viraj Mithani**

Okay, thank you.

### **Moderator**

Thank you, sir. We are having a follow-up question from Nikhil Abhyankar from DAM Capital. Please go ahead.

### **Nikhil Abhyankar**

Thanks for the opportunity again, sir. I just wanted to know, what is the prospect of Metro orders, domestic Metro orders in the coming six months or a year?

**Management Team**

Well, as I mentioned, we are doing already Metro, a lot of consultancy work in a number of cities and we are continuing to bid and partner with a number of partners as well as bid for a number of upcoming Metro consultancy, both domestic and international. And I'm sure that they're going to, this trend of Metro being a focus area whether for PFRs, DPRs, DDCs, PMCs, GC, they will continue to remain in the coming months and as they mature into more and more orders, we would be keeping your apprise, but nevertheless, the bottom line notwithstanding the major pack being that Metro consultancy for domestic, not only domestic, international also, will remain a steady stream of revenue in the coming months.

**Nikhil Abhyankar**

Okay. Thanks a lot.

**Moderator**

Thank you, sir. Next follow-up question comes from Parimal Mithani, an Individual Investor. Please go ahead.

**Parimal Mithani**

Thanks for the opportunity. And just a follow up question in terms of further JV call SAIL-RITES Bengal wagon. Can you just talk on what's feature we are in and how are we performing there?

**Management Team**

Yes, in fact, SAIL-RITES after a little setback in FY22, the vis-à-vis, the earlier FYs has again bounced back with a very good set of numbers. The Q1 has shown revenue from ₹26 crore, which was against ₹7 crore of Q1 FY22, it has shown a profit of ₹0.5 crore as against a loss of ₹0.2 crore in Q1 FY22. So, going forward, we have already received order of 480 BOXNHL wagons in March '22. We have already started working on it. The production is planned for at least about 1000 plus wagons in this year, and we would see a good growth, good set of numbers for the entire FY.

**Parimal Mithani**

Okay. And sir, if you can throw a color on the how would this JV be over a period of time. Any idea on that, sir?

**Management Team**

So, this JV has tremendous scope. It has got a beautiful plant. It has got very good collaboration with SAIL. It has got very good scope of further growth taking on more orders both in domestic as

well as aiming for some bidding for some international wagon orders. So, going forward, I see this JV of SAIL and RITES both SAIL and RITES are committed to making this JV grow. And we've had various rounds of deliberation and we are looking at seeing this JV give a very good growth prospect both in top and bottom lines in the coming months.

**Parimal Mithani**

Thank you, sir.

**Moderator**

Thank you, sir. We're having a follow-up question from Venkatesh Subramanian from Logic Tree. Please go ahead.

**Venkatesh Subramanian**

This is a quick follow up on the previous question from Parimal, which is on the SAIL-RITES JV. You've mentioned the production of wagons is set to increase. Did you mention that we could probably do 1000 odd numbers in the current year in terms of production?

**Management Team**

Yes, I did.

**Venkatesh Subramanian**

Okay. That is set to grow in the future, possibly?

**Management Team**

Definitely. We are there's a lot of scope there and we are aiming to get more and more orders. Our team is geared up post COVID, all things are going up. The production lines are fully functional. SAIL and RITES are in close coordination, for supply of the steel. And I think it's definitely showing, the figures themselves show and going forward, these orders which we have received, we are aiming to make them fructify into finite deliveries in the coming years

**Venkatesh Subramanian**

Right. Thanks. Thanks a lot.

**Moderator**

Thank you, sir. Next follow-up question comes from Viraj Mithani from Jupiter Financial. Please go ahead.

**Viraj Mithani**

Yes. My question is do we have anything in high-speed rail?

**Management Team**

In terms of what, I didn't get your question. We've been doing some consultancy, we have been doing and as the opportunities come up, we will be open for more. I didn't understand what your specific question.

**Viraj Mithani**

My question is especially projects like bullet trains or high-speed train, so there's a lot of planning by the Government, so do we have any types of consultancy, PLCs, do we have any business or anything in there. Do we have any?

**Management Team**

We have done at various stages of the high-speed rail at various stages in the initial, as the projects at various stages, you have given some inputs, and as this shapes out at whatever stage opportunities would be there for inputs for consultancy, we will definitely be looking at it.

**Viraj Mithani**

Okay. Thank you and all the best.

**Moderator**

Thank you, sir.

Yes, this will be the last question for the day. Now, I hand over the floor to the management for closing comments.

**Management Team**

Thank you for the good response from all of you. And as I mentioned in my opening remarks and also in my detailed answers to the questions, we see the trend going forward, we will continue to strive to not only maintain this trajectory but build on it in the coming months. We see very finite growth prospects and we are committed to maintaining our levels of performance as seen in the past few quarters. Thank you.

**Moderator**

Thank you, sir. ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using DSNL conference call service. You may disconnect your lines now. Thank you and have a pleasant day.

-End-



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