



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

No. RITES/SECY/NSE

Date: 22.07.2021

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
Scrip Code- RITES	Scrip Code- 541556

SUB : TRANSCRIPT OF INVESTORS'/ANALYST MEET

Dear Sir/ Madam,

Please find enclosed herewith transcript of the Investors/analysts' meet held on Thursday, 17th June, 2021 to discuss the results for the quarter and year ended on March 31, 2021 of the Company.

This is for your information and record.

Thanking You,

Yours faithfully,
For RITES Limited

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



RITES Limited
Q4 & FY21 Earnings Conference Call
June 17, 2021

Management:

1. **Shri Rajeev Mehrotra, Chairman and Managing Director**
2. **Shri Bibhu Prasad Nayak, Director Finance**
3. **Shri Parmod Narang, Chief Financial Officer**

RITES Limited
Q4& FY21 Earnings Conference Call
June 17, 2021

Moderator: Good afternoon, ladies and gentlemen. I am Rutuja, moderator for this conference. Welcome to the conference call of RITES Limited, arranged by Concept Investor Relations to discuss its Q4 and FY21 Results. We have with us today Shri Rajeev Mehrotra, Chairman and Managing Director, Shri Bibhu Prasad Nayak, Director Finance, and Shri Parmod Narang, Chief Financial Officer. At this moment, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. At that time, if you have a question, please press “*” and “1” on your telephone keypad. Please note that this conference is being recorded. I would now like to hand over the floor to Shri Rajeev Mehrotra, Chairman and Managing Director. Thank you and over to you sir.

Rajeev Mehrotra: Thank you Rutuja. Good afternoon to all of you. I am Rajeev Mehrotra, CMD of RITES Limited. I am happy to welcome you all to investor conference call of RITES Limited, on financial results for FY21 and fourth quarter of FY21. Hope all of you are keeping safe along with your families during these tough times. I have with me our Director Finance Shri BP Nayak and Chief Financial Officer, Shri Parmod Narang.

RITES is a Miniratna category-I Schedule A public enterprise and a **premium** player in the transport consultancy and engineering sector in India having diversified services and geographical reach. RITES Limited is the only export arm of Indian Railways for providing rolling stock overseas, other than to Thailand, Malaysia, and Indonesia.

I hope you all have been able to access the financial results presentation and press release uploaded on our website as well as the stock exchanges yesterday.

Let me begin with the Safe Harbor statement. The presentation which we have uploaded on our website yesterday and the discussion during the call today may have some forward-looking statements. These statements are considering the environment we see as of today. And obviously carrying a risk in terms of uncertainty because of which the actual results could be different. And we do not undertake to update those statements periodically.

Now, I’m going to talk about the highlights of companies results of FY21 and Q4 FY21. And then we can open the forum for questions-and-answers.

FY21 has been an unprecedented year for the company and has thrown a lot of challenges before us. But with gradually normalcy returning in the business environment, our revenue

also picked up with every quarter and most of the parameters of our business had come back to pre-Covid level in Q4 FY21.

Now, I will briefly talk about the consolidated full-year results and as you all know almost 97% of our income is coming from the standalone numbers as a part of the consolidation. So whatever I am talking about consolidated numbers is relevant to standalone also.

The company's total revenue on consolidated basis stands at Rs.2005 crore as against Rs.2735 crore in FY20. Company's revenue from operations stands at Rs.1860 crore as compared to Rs.2474 crore in FY20. Fall in revenue is mainly due to decrease in exports by Rs.448 crore in FY21 and if you exclude exports, the decrease in operating income is about 8.7%. The disruptions in supply chain and restrictions imposed due to pandemic affected the operations and also around Rs. 100 crore fall in other income has been there as compared to FY20.

EBITDA (*excluding other income*) and PAT stand at Rs.505 crore and Rs.444 crore as against Rs.668 crore and Rs.633 crore of the previous year. EBITDA and PAT margins stand at 27.2% and 22.2%, respectively. Despite a fall in revenue, timely cost-control measures helped the company in sustaining these margins. The earnings per share stands at Rs.17.54 for FY21 as compared to last year's Rs.24.64.

Now, coming to Q4 FY21 performance on standalone basis. Q4 FY21 results surpass the Q4 FY20, that is Y-o-Y, but were not enough to make up for the shortfall in the first three quarters we faced. Q4 FY21 total revenue is up by 6.1% to Rs.632 crore as against Rs.596 crore in Q4 FY20. The operating revenue, excluding other income, was up by 12% and stands at Rs.619 crore as against Rs.553 crore in Q4 FY20 and the growth from Q3 FY21, to Q4 FY21 was 42.7%.

During the quarter, export started for cape gauge locomotives to Mozambique and coaches to Sri Lanka and as a result, exports have shown a Y-o-Y growth of 54.5%. However, revenue from some consignments which were actually ready for shipment is going to spill over to Q1 FY22. 30 coaches remained at the Chennai port, which were ready for shipment on 31st March due to non-availability of ship on FOB contract basis. So, the buyer was to send the ship.

EBITDA (*excluding other income*) and PAT up by 17.3% and 2.4%, respectively and stand at Rs.172 crore and Rs.135 crore, respectively. EBITDA and PAT are sustained at 27.8% and 21.3%, respectively, as a result of near normalcy in operations during Q4 FY21.

Now coming to segment-wise discussion. Consultancy remains the highest-income generating segment for the company with 54% of the standalone income coming from the segment. Company generated revenue of Rs.972 crore against Rs.1066 crore in FY20 with sustained

gross margin of 44.2% during the year. Focus on international projects has led consultancy income from abroad showing 18.8% growth during FY21. However, less procurement by certain clients impacted the quality assurance income during the year. Q4 FY21 has shown slight growth of 2.8% during the quarter.

Now leasing; company's leasing business recorded income of Rs.108 crore in FY21 against Rs.120 crore in FY20. Leasing business margin has remained healthy at 35.6% during the year and 38.4% during Q4 FY21. Revenue from leasing business moderated due to reduced requirement of locos in H1FY21.

Exports; exports revenue during the FY21 stands at Rs.93 crore against Rs.541 crore during FY20. Gross margins in exports stand at 19% against 22.7% in FY20. This moderation in margins is attributable to lower exports during the year. The remaining export orders are under manufacturing and most of the shipments are expected to be exported during FY22.

Turnkey construction; revenue from turnkey construction project stands at Rs.624 crore in FY21 against Rs.673 crore in FY20. Gross margins from turnkey segments were maintained and stands at 3.8% (*in FY21*) against 3.4% in FY20. Revenue in Q4 FY21 have increased by 16.4% to Rs.198 crore with execution reaching pre-Covid levels.

Now, coming to our subsidiaries and joint ventures. Performance of our subsidiary Railway Energy Management Company Limited got impacted due to less traction power requirement during the lockdown and revenue for FY21 stands at Rs.69 crore against Rs.81 crore in the previous financial year. However, revenue from power generation within this total revenue improved by 46.9% and reached Rs.16.5 crore during FY21. In FY21, our wagon manufacturing joint venture SRPWIL. Revenue and profit stand at Rs.161 crore and Rs.2.5 crore, respectively, against Rs.265 crore and Rs.15.5 crore, respectively, in FY20. And our joint venture IRSDC. Revenue and profit stand at Rs.39 crore and Rs.5 crore, respectively, against Rs.50 crore and Rs.5 crore, respectively, in FY20.

Order book; company's consolidated order book now stands at Rs.6,277 crore as on 31st March 21 with new or extension of orders secured to the extent of Rs.2061 crore during the year. This order book gives us revenue visibility for almost next two to three years. We have sufficient order book in hand and shall exploit the various upcoming opportunities in infrastructure sector in India as well as abroad which will help us in future business growth.

Dividend; Final dividend of Rs.4 per share has been recommended by the Board of Directors with total reaching to Rs.13 per share as dividends attributable to FY21. This will have a dividend payout of 73.6% of PAT for the year FY21.

That's all from my side. We are now open for questions and answers. Thank you very much for your kind attention.

- Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Rohit Natarajan from Antique Stock Broking. Please go ahead.
- Rohit Natarajan:** Sir, my first question is on the consultancies, we have close to 25 billion of order backlog, what is the kind of execution you can see in this particular year, also could you touch upon this order inflow part especially on this consultancy, what is the order you see in this particular fiscal?
- Rajeev Mehrotra:** As we said the order book for consultancy as of 31st March was Rs.2525 crore and the delivery part you can say this will spill over to about two years on average so this has a combination of certain PMC works for rail connectivity projects of power companies or coal companies. This also has consultancy income from metro projects which have span from two to three years, four years. So, that is the profile of the consultancy as on 31st March 2021. Inflow in Q4FY21 consultancy was Rs.326 crore.
- Rohit Natarajan:** Sir, I am talking about the inflow for the FY22 part, how much are we targeting the new non-railway consultancy orders especially?
- Rajeev Mehrotra:** Look, it's very difficult to give a growth prediction because the way we have seen last full year, there were disruptions in field work being done till Diwali. Hardly any project was able to come to the construction. Hoping that the recovery remains up from now onwards, it is safe to believe that we can see about 10% to 15% growth for what has been done in FY21. There are orders, but we need environment to actually execute, and if that is there. The railways has a very high CAPEX plan of Rs.2,15,000 crore for the current year. And the orders have started just being released, last week only we got one order for electrification, we emerged L1 there. So, I hope that there will be some more additions as we go into here, almost April and May. Rohit, that is the timeline.
- Rohit Natarajan:** Sure sir, And my second question is more on the export front, we have 13 billion of order backlog in exports, what is the delivery schedule in this particular fiscal year?
- Rajeev Mehrotra:** I am sorry there was disruption can you repeat your last sentence, Rohit?
- Rohit Natarajan:** So, what is the delivery schedule for exports in this particular fiscal, what are we targeting, what revenue numbers are we targeting in exports for FY22?
- Rajeev Mehrotra:** Contractually, the entire Rs. 1333 crore of order book will be completed in FY22. But for example in locos, there were just 2% items which were imported, 2% of the value, but that delayed the shipments to March, (delayed) by two, three months. We are now shipping two locos (2nd lot) these are already on the way to Mumbai port. So, this type of supply chain

disruption, if does not happen, I see no reason to worry about the delivery of this entire Rs 1333 crore in FY22. These are all under manufacturing pipeline.

Rohit Natarajan: Okay, sir. Sir one more question on this export front itself. We saw the Q4 margins were a little bit on the higher front. EBIT margins for exports, do you see that kind of sustainability in those margins in the remaining part of the order backlog?

Rajeev Mehrotra: Well, this will depend upon what equipment has gone. So, within the export basket also the margins for different products would vary. But as we indicated, normally this could vary between 15% and 25%. The margins are within that limit.

Moderator: Thank you. The next question is from the line of Vineet Gala from Monarch Network Capital. Please go ahead.

Vineet Gala: Sir, in continuation to the previous questions asked on the export part, the entire part of our order book is due for execution in this year. So, sir I wanted to understand from your perspective, what is the visibility in terms of the new order inflow in this segment and also what would be the book to bill in this particular segment, how would you look at this?

Rajeev Mehrotra: The visibility, it's very difficult to say, but the fact that we have started a new stream of products for cape gauge market. We have inquiries coming from couple of countries, but it's very preliminary. So it will take time to build up on those contracts. Typically, such contracts may take up to one year to actually shape up and then come out. So right now, yes, there are certain discussions going on, but at this stage we are not ready to give any quantitative number for this. But the fact that now we are able to supply broad gauge, meter gauge, we are able to supply cape gauge, the possibilities have actually increased for taking it forward.

Vineet Gala: Fair enough sir. Sir, so can you please articulate on your thought process in terms of maintaining our order book mix given that most of the recent big wins are in the turnkey segment while in our export segment and also in the consultancy part of the business, we don't have the same kind of order wins, so what is your thought process and how do you look at this order book mix over next one to two years?

Rajeev Mehrotra: These products are different by nature like in export order would be significantly coming but not in a very repetitive way. Similarly turnkey, there is a tender like Rs. 1700 crore where we emerged L1, it does not happen on a routine basis. Whereas, consultancy contracts they keep coming from different segments gradually throughout the year. So, the size is different, the exports and turnkey contracts are very large, but very few coming in during the year. The consultancy and leasing they happen throughout the year something or the other is going on every month. So, that way it is very difficult to say that what final shape would emerge at the end of the year but as we said company would focus to remain a consulting company predominantly almost 50% revenue you can expect to be coming from consulting part

followed by exports. This year exports could be higher, would be higher because the production is in the pipeline. This year, we will see execution of one turnkey spillover from last year. One doubling project and also some electrification projects, which we got some time in February, March, the tenders for those are under award. So, hopefully by third quarter of this year, revenue from that will also start. Turnkey would remain say around 20% to 25%, exports this year might be slightly higher, maybe 30% than the balance is on leasing and energy management businesses. I hope I have answered.

Vineet Gala: Yes, sir. So, the way in which our mix would work over next couple of years will also have an impact on our margins. So, from that perspective, apart from FY22 how do you look at the margins basically in FY23 and so on?

Rajeev Mehrotra: Despite challenges in this year, we tried to maintain margins. So, the mix is very important to maintain the margins. So, the consulting if it is higher in the basket, the margin headroom would be safer for the company, as we have seen this year, we got 54%, slightly reduced in absolute number compared to FY20, but 54% was significant to keep the overall margin profile of the company intact. Going forward, till 2023 I don't see any major shift in the existing business mix.

Vineet Gala: Perfect. Sir last question on my side, what would be the breakup in our consultancy order book vis-à-vis the quick moving parts which is operational maintenance and QA and the second part, wherein the conversion is slightly elongated that is the rail and road infra, so what would be that mix?

Rajeev Mehrotra: In the consultancy order book of about Rs. 2525 crore, we can take QA orders to the order of about Rs.84 crore (one quarter of the revenue from QA). So, that's the quick moving within the basket and further detailing I have is here. So, if I can bifurcate the consulting order book into six key streams. The airport orders are Rs. 186 crore i.e. 7.4%, highway is Rs. 381 crore i.e. 15.1%, ports Rs. 86 crore i.e. 3.4%, quality assurance Rs. 84 crore i.e. 3.3%, railways Rs. 1062 crore i.e. 42%, urban transport that is metro Rs. 212 crore i.e. 8.4%, others Rs. 514 crore i.e. 20%. So, this is the profile of consultancy order book and the leader here is railways and then followed by highways.

Moderator: Thank you. The next question is from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.

Chintan Sheth: Sir, three set of questions, one is on consultancy first, for the fourth quarter we are seeing margin. So, sir point is on the consultancy part for the fourth quarter we are seeing margin compression Y-o-Y to be higher despite our revenue and employee cost which is cost based for consultancy remaining the same. So, in any one of or any additional cost which we bear this quarter which resulted into margin compression and how should we look at going forward that is one. Second is on other income which you mentioned that other income has

been lower this year and particularly in 4Q our other income has been quite significantly lower compared to last year and last quarter as well. So, any reason for that and lastly on the inventory part, we mentioned in the notes to accounts that Rs. 89 crore of finished inventory was sitting in our inventory for the year, but overall inventory its Rs.286 crore versus negligible historically. So, what is the remaining inventory buildup and how should we look at it, that is all, thank you.

Rajeev Mehrotra:

Let me start from the last point, possibly I could not fully get your first question. So, let me start with the last point, the inventory we tried to ship these orders as early as possible if you recall one of my previous discussions with you all, I said this year we will try to push the exports to Rs. 400 crore, that was the target for FY21, because of some sub assemblies, some import constraints not being able to reach the production units in time. Now, these 30 coaches are ready for shipment, we could actually take them to port, but then maybe remaining part could not happen on 31st because the ship which the buyer was to send (couldn't be send), there was disruption in the shipping lines during March. So this remained at the port. So, we have taken this in the inventory, about Rs. 106 or maybe Rs.104 crore of revenue of the shipment could actually be recognized in Q1.

Chintan Sheth:

Okay. But still the inventory number is very bulky 200 crore. So even if I remove this 100 and 80 odd crore which was mentioned in the notes it still results into another 100 crore or so I am just trying to understand why?

Rajeev Mehrotra:

The another 30 coaches were under manufacturing at Chennai but could not be taken to port because the port doesn't have the capacity to hold that many coaches so that's also part, it's very abnormal situation because in March the shipping lines were disrupted for various reasons. And this needs good capacity to carry coaches.

Chintan Sheth:

So largely because of the export, thing is unfinished inventory which is in-line with our self?

Rajeev Mehrotra:

Yes, but a lot of this would be pushed out maybe in June and in July. Because again in April and May like one or two countries where we are going to export are still under lockdown and they will not be able to unload. After all those logistics are tied up then only exports are being shipped out. So there's no problem with the manufacturing now, but the logistics actually emerged as a challenge. Replying to your second point, the annual other income shortfall is led by one item which is Rs.91 crore income we recognize in FY20, this was in settlement with the client overseas. And that was a pure income because we are already provided for this earlier. Now, this FY20 income was not there in FY21, so this was a major gap. Other factor was that there is a reduction in interest rates. Now coming to quarter four specifically, the impact as compared to Q4 FY20 three main reasons exchange rate Rs. 17 crores, interest Rs. 7 crores and income tax refund was there in FY20 Q4. So this Rs. 29 crore explains the difference between that time to here.

- Chintan Sheth:** Okay. And on the consultancy should I repeat my query?
- Rajeev Mehrotra:** I'm sorry, I lost track of your first question because it's better to go one by one.
- Chintan Sheth:** Sure, so briefly, we have done a commendable job to bring the revenue back to the pre-Covid level of Q4. And if we look at the quarter-to-quarter, fourth quarter to this fourth quarter our employee cost has been remained the same Rs. 130 to 136 crore, but our margins has declined from 50 to 40. So, I'm just trying to understand what went into that and how should we look going forward on the margins part?
- Rajeev Mehrotra:** A key impact was actually felt in the consulting business segment was due to quality assurance business. Suddenly in Q1, Q2 there was significant reduction and this continued till March, because certain clients did not place the orders or did not want the supply to take place. The fixed cost of quality assurance team remained, but the revenue did not come. So, this impacted, about Rs.12 crore was because of this only in Q4FY21. The reduced margin was only because of this QA additional cost continuing. And now coming to employees cost, we focused on the cost management since beginning last year. We reduced 66 numbers of employees, never done in RITES in the past. But then, looking at the ground realities we kept working on this, a combination of steps were taken. So, we will try to maintain the margins. And if the competition emerges later than it's a different thing we will take a view on each project we bid. I don't see any set back or a major underlying change to the margin profile in business.
- Chintan Sheth:** Right. So, will we continue around bearing this QA part, the margins will look much better than the reported number?
- Rajeev Mehrotra:** Yes.
- Moderator:** Thank you. The next question is from the line of Shreyans Mehta from Equirus Security. Please go ahead.
- Shreyans Mehta:** Sir, my question pertains to the export segment. So, sir could you let us know that probably in Q4 how much amount could we have lost because of this non-shipment of the exports?
- Rajeev Mehrotra:** Okay, in terms of billing amount this was Rs.105 crore of invoice could not be raised because of the shipment, as per the contract. Another 30 coaches remained under almost finished staged in ICF and unless the first lot is cleared the second would not be permitted to be parked at the port. So, we were in a situation where despite the production picking up, the shipments could not happen and all these we are trying to push in Q1. Two locos, as I said, are on the way to Mumbai port and would be shipped possibly next week. For 30 coaches also, a ship has been sent by the client...So, Q1 should see a reasonable disposal of what could not be done in March.

- Shreyans Mehta:** Sir Q4 or Q1?
- Rajeev Mehrotra:** I am extremely sorry, Q1.Q1 would see spillover of Q4 being settled, extremely sorry yes.
- Shreyans Mehta:** Right. So, Q1 probably can we expect in terms of exports say around Rs. 300 odd crore in terms of revenue?
- Rajeev Mehrotra:** Unlikely, if second lot of ship is also received for this next 30 coaches, yes, we can, if not then maybe 10, 15 days here and there.
- Shreyans Mehta:** Okay, great. So, second my question is again pertaining to the exports, basically just wanted to understand our thought process given that Rs.1300 odd crores would be totally finished probably by this year end, so which areas or which countries are we targeting now and where do we foresee this order book or how would we at least replace this entire order book?
- Rajeev Mehrotra:** Well, the fact is that there is a slowdown, if I can say, in processing of such capital purchases in several countries and till we actually submit a price bid we would not like to share that number. But, yes we are going to bid for a project very soon. One order very soon, there are inquiries from two, three countries about the DMUs, diesel multiple units, but that is very preliminary. So, if I can say that readiness, yes, we are getting ready to bid for 250 coaches maybe next month.
- Shreyans Mehta:** Okay. Sir, any quantification in terms of numbers?
- Rajeev Mehrotra:** No, we will just stay at that and otherwise it will become too much of forward-looking numbers without even getting (the order).
- Shreyans Mehta:** Got it. And sir I am not wrong probably we were also planning to enter into Ghana and African countries. So, what's the status out there?
- Rajeev Mehrotra:** We have not been able to send our teams actually. At least three, four countries; we need to send our people to take up the discussion further. And these countries are actually creating infrastructure. So definitely, they are candidates for purchasing now, whether they buy from India or from anywhere else, all that is yet to emerge, but yes Ghana is a possible candidate.
- Shreyans Mehta:** Got it. Sir the other question pertains to our CAPEX guidance and how much of the CAPEX have you done for this year and what we plan for FY22?
- Rajeev Mehrotra:** FY22 we have just approved Rs.28 crore of CAPEX for purchase of five locomotives, we are going to place order now. We are building a lab-cum-office complex in Kolkata. A similar facility on a smaller scale in Lucknow, we have made one lab ready in Faridabad. So, put together if you see the investments in locos and further loco requirements and buildings, would be around Rs.150 to 175 crore. And then Rs 200 crore equity as we have already

informed that we might take up investment in REMC Ltd for solar power required by railways so put together around 350 to maybe Rs.400 crore is what we have in hand for CAPEX. Similar amount we will be needing for working capital. And first question, how much was spent in FY21, the amount is Rs. 80 crore.

Shreyans Mehta: Okay, sure. And so last two questions, one if I just do a math of the indicative breakup which you had given in terms of growth we are expecting, so Rs.1300 crore in export and stuff. So roughly, we are looking in the top line of Rs.3000 to 3200 odd crore for FY22. Are we on track on that, probably do you think because that's a growth of almost 80% odd year-over-year?

Rajeev Mehrotra: It's very visible, that with this order book, and with a major statement that exports would be shipped out, this is definitely going to be much better, but we will wait for the normalcy. And we would not like to comment at this stage a number on the outlook but it is definitely going to be better than what we have done or maybe better than FY20.

Shreyans Mehta: Got it, and sir my last question pertains to the turnkey segment, now probably we are hitting that 4% mark. So can we surpass that and can we move towards the 5 or 5.5% mark in the turnkey in terms of EBIT margins?

Rajeev Mehrotra: No, that's unlikely. We have been, if you see our previous guidance, we have been saying the margins could be 2.5% to 3.5%, so we have brought it to 3.8%, with the economies, the travel cost are down, the employee numbers have been reduced, but beyond that it looks unlikely, maybe touching even four looks unlikely.

Shreyans Mehta: Got it. So, it would be in the similar range?

Rajeev Mehrotra: Yes, 3.5 to 3.75 is the safer realistic assessment.

Moderator: Thank you. The next question is from the line of Dixit Doshi from Whitestone. Please go ahead.

Dixit Doshi: Sir firstly on the export side. So, you mentioned that if the second lot is also got exported in next 15 days, we can do around 300 crore kinds of revenue in Q1 itself. So if that doesn't go then it will be around 100 crore?

Rajeev Mehrotra: No, then also this would be around Rs.160, maybe 170, 180 crores is there, because these locos which are on the way to Mumbai two locos already out. Then the 30 coaches are already on being boarded, the 30 next lot being shipped out by June looks slightly unlikely because again there's a lockdown there, there was a lockdown in Chennai for a long time. So even if the ships had come, they would not have been able to upload.

Dixit Doshi: Okay. Now, in terms of so let's say by end of Q3 last year our order book was around 1400 crore and that time our assumption was that we'll do around Rs. 500 to 550 crore exports in

Q4 and then the remaining Rs.700, 800 crore export will happen in H2 of FY22. Now this Rs. 500 crore out of this 560 crore almost 450 got move to H1 of this year, but we are likely to do the similar H2, Rs. 700, 800 crore kind of, do you feel let say if there is no third wave and there is no another lockdown then it is very much possible to execute that Rs.1300 crore entire in this year itself?

Rajeev Mehrotra: Absolutely right, if there is no disruption further. The entire supply requirement has been ordered and complete order is under manufacturing now. So, two locos are already underway, two more would be done in July. So, if there is no disruption in logistics, or lockdowns, I am very confident that we can ship out the entire Rs.1333 crore order.

Dixit Doshi: Okay. And one last question from my side, So, turnkey you mentioned that, there is Rs 1700 crore of order where we became L1 and which is not included in the order book. So, can you just mention that how much was the total tender size where we got Rs.1700 crore L1?

Rajeev Mehrotra: This normally comes as a package of six, seven, eight projects and then you have to give rate suitable based on the location. If we are present there, my team is there, my office is there (we can price less) and based on that we have quoted. Yes, there were eight projects for which we have quoted.

Dixit Doshi: So, let say in terms of rupees, so we got around Rs.1700 crore kind of orders right, so can we say that the total tenders for that was around Rs.5000, 7000 crore kind of tenders were there?

Rajeev Mehrotra: Okay, in this category these projects are doable by us all the eight packages. And we have emerged L1 put together for all these packages. And more such packages, especially on the doubling and third line are expected.

Dixit Doshi: Yes, so my question was sir, let me frame it this way. So, I assume that since last year, so the railways are going on bidding among the PSUs, and you, IRCON, RVNL all those companies have started bidding for the project rather than the nomination base. So, in this bidding we got Rs 1700 crore of electrification. So do you say that entire order is won by us and there was no order given to IRCON, RVNL, is that understand right?

Rajeev Mehrotra: We have emerged L1, if there is any difficulty in any of the locations, then maybe we can decide to pick up four or five or six. Last time when we informed Rs. 800 crore there were about five sections of rail lines which were given to us put together. So that is how these are sections put together eight, and we are L1. Right now there's no plan to give up, but we will see as the negotiations proceed. So we have not signed the agreement yet, we have emerged L1. Let me qualify this, we have emerged L1, we have not yet signed the agreement. But this was a significant development, we thought we must share with the market.

- Moderator:** Thank you. The next question is from the line of Kunal Sheth from B&K Securities. Please go ahead.
- Kunal Sheth:** If things go well, the consultancy will be able to do about 10% to 15% growth over 21 or 20 sir?
- Rajeev Mehrotra:** Sorry, if I heard your question right, you are saying the growth in consultancy are you looking over 20 or over 21?
- Kunal Sheth:** Yes, that's right.
- Rajeev Mehrotra:** No, FY21 is a fractured year so if at all topline growth would be on FY20.
- Kunal Sheth:** So, if things go well we can grow at least 10% over FY20 is what we are referring to right?
- Rajeev Mehrotra:** Yes, because my optimism is coming from the order book, as also the CAPEX plan of railways Rs. 2,15,000 crore so there will be a lot of incremental QA order. Plus within this CAPEX whatever more we can get as a consultancy would be coming.
- Kunal Sheth:** Sure. Sir my next question was that only, in this we have also assumed that quality assurance revenue will also be normalized, right?
- Rajeev Mehrotra:** Yes, normalized and incremental, because highest CAPEX budget railways is carrying this year, there is no reason to be pessimistic.
- Kunal Sheth:** And sir, would it be possible to give us some sense of what is the kind of pipeline you have for the consultancy segment?
- Rajeev Mehrotra:** The indicative 10% growth, actually contains all our thoughts on this issue. We are going to bid for metro projects, we are looking for some extensions, and which is normal for any consulting company. So, beyond that quantifying any number at this stage would not be correct on my part and the guidance of about 10% increase should, for the time being, suffice in my view.
- Moderator:** Thank you. The next question is from the line of Sarika Thorat from Union Mutual Fund. Please go ahead.
- Sarika Thorat:** I have two questions. First, the media articles are suggesting that there is a station development happening for the Delhi and Mumbai railway station, CST railway station. And the amount is quite high around Rs. 10,000 crore each like that. So, we will be bidding for these projects and what would be the percentage of the engineering work we will be getting in these kind of projects. I want just a qualitative data not quantitative and secondary the

update on the solar railway project, because we were actually in the bidding process last time you have mentioned, so what is the update there, I wanted to know thank you.

Rajeev Mehrotra:

To my knowledge the New Delhi station, I'm not too sure about the Mumbai station, it is being said that these are coming on composite package basis and not consultancy or PMC separately. The bidder who has to develop the property will have to bring the engineering partner later. So, at this stage, we do not see any role to give a bid for development of this project at our own resource. So, New Delhi station and this is stage it's difficult to say what role we will be able to take and we are not in a position to bid for such projects on developer business, that's not our mandate.

Now, coming to the solar part, we did float three tenders as we discussed some time back, the first one was on the railway land by developers, second was through REMC Ltd ownership and third was again on railway land, but parallel to the tracks. A lot of suggestions were received like why don't you sub-group the land in a particular way, so that the evacuation cost is minimized. The bids actually did not come in the numbers as expected because the queries remaining unanswered at investors end. So we decided to drop the tenders, change the conditions and re-tender. This has been put to rebidding this month. And our information that we may invest up to Rs.200 crore through REMC Ltd in equity remains valid.

Sarika Thorat:

So that Rs. 200 crore would be done in this year or next year?

Rajeev Mehrotra:

No, I don't think whole can be done in this year, this might be done in two years; approximately half and half each year.

Moderator:

Thank you. The next question is from the line of Parimal Mithani an Individual Investor. Please go ahead.

Parimal Mithani:

Sir, this is regarding your REMC Ltd business. So, I just wanted to know, being a normal operation what was revenue in the current year and the PAT if you can just highlight not for Covid and do you think this business over a period of time can contribute close to around Rs.100 crore to your revenue?

Rajeev Mehrotra:

First of all I'll comment on last year's operations. Since April most of the rail operations were either shut down or on a very minimum scale. So the power offtake was significantly reduced. We are handling around 1450 megawatts of power being purchased under open access. So, this came down to less than 1/3. Now this continued for time till almost Diwali except some freight traffic. This situation has changed in March but not fully normal. So that's one scenario that once the rail operations normalize, they have capacity of 2000 megawatts requirement of which we believe around 75% to 80% can be managed through REMCL because some states have not given open access permission.

Parimal Mithani: Sir, this is basically regarding your subsidiary REMC Ltd which is there, where you spoke about power for the railway. Sir, if I see your revenue for last year, previous year that is 19-20 you were on 81 crore of revenue, and the PAT is close to 35 crore on that business. So, if there is a normal operation of the business. Do you think this revenue could be a substantial contribution going ahead for next two to three years that's what I wanted to know and secondly, you have consultancy part in this business, so if you can just break up the revenue of the business how it is and how do you do it, it will be much better for us.

Rajeev Mehrotra: Okay. Most of the business in REMC Ltd is on consulting, which is our fee income per unit basis for the power purchase for railways. And there is power generation about Rs. 16 crore per year is the power generation income from windmills in Jaisalmer. So, except Rs.16 -17 crore the entire revenue is consulting.

Now, what is the size of this basket in near future, that's the question. I will try to answer it from the plan which has been made public; by December 2023 railways want to electrify their tracks completely. And also keeping in view that DFC would be operational by then, it is estimated that the load would at least be minimum 4000 megawatts, right now we are at 2000 MW. Of this 2000 MW, we are handling about 75%. If for 4000 MW we handle 75%, we would be handling something around 3000 megawatts of power, which is double of what we are doing now. But that is a very conservative possibility in next two to two and half years. Beyond that if there are more lines added with electrification, with more coal lines, more power lines and then maybe semi high speed projects which they are looking at; this can increase the power requirements and in next three to four years maybe this will reach around 5000 megawatts.

Parimal Mithani: And sir any ballpark revenue you can give us around new projects, what revenue they will get at 4000 megawatts what will be the revenue for this?

Rajeev Mehrotra: So, this can go between 2 to 2.5 times safely.

Parimal Mithani: Okay. And with the same PAT margin which are there currently we are enjoying or it will be?

Rajeev Mehrotra: Maybe margins would improve because we are not going to add fixed cost proportionately.

Parimal Mithani: Okay. And sir my second question is in terms of consultancy business, after this award in the turnkey. So, your turnkey if I know the business is to get and signed a memorandum, will be much heavier compared to the consultancy part of the business. So, how do you feel that going ahead in terms of next two to three years?

Rajeev Mehrotra: The turnkey contracts do not come in a smaller number (in terms of revenue) and on routine. They have come bundled up at a time. But consultancy, yes (do come up in greater numbers but smaller value) and we are exploring possibilities for submitting bids for metro projects

and projects outside India also. So, the increase in consultancy would be there but may not perfectly match with the volume, which you are seeing in the turnkey, because this has come maybe as a backlog also. See, there is a backlog of doubling and third line projects and they come maybe by September.

Parimal Mithani: Okay. And sir any update on the leasing business exchanges so how do you see that going ahead?

Rajeev Mehrotra: Leasing has actually started picking up, once the normalcy started, in January to March we actually added five more leasing contracts. Yesterday, the Board has approved five more locomotive purchases as well. So, I see this steadily going, as it was doing almost 10% year-on-year basis, that possibility remains intact.

Parimal Mithani: Okay, sir just last question, if I can. Is it safe to assume sir we will maintain the same dividend payout going ahead which we maintain over in the last two, three years?

Rajeev Mehrotra: The two-year story should give you confidence about the future, but I cannot comment.

Moderator: Thank you. The next question is from the line of Harshit Kapadia from Elara Capital. Please go ahead.

Harshit Kapadia: I have some questions for you. So, if you can highlight in some of the calls earlier as well as on some of the interviews you had mentioned that, we have already developing some work for standard gauge network as well. So, can you highlight, are you talking to some countries for export as an opportunity for even standard gauge coaches or locomotive? Is that something which is already in talk with? That would be really helpful and along with that on the export front you were bidding for some projects in the South East Asian countries. So has that project been presently on hold? What is the status because that was a large project that we were eyeing, that would be helpful. I'll follow up with more questions.

Rajeev Mehrotra: If I can answer, standard gauge point first. Maybe two to three years back, we were trying to sell what we used to manufacture, but then customization was not a priority. And possibly maybe a different quality was not all that pressed. But having worked closely with the clients, and the experiment with DMU for Sri Lanka which was a completely different profile product, went very well. Based on that, we started getting inquiries from other countries also, we were tracking cape gauge market, but as we got success in cape gauge product launch, we have started working on one locomotive on a standard gauge. So, by this year-end we should be having a prototype, because unless you have a product, unless you see a car before, you won't buy it. So, it's necessary to first develop a product and then market it, we succeeded with the cape gauge experimentation. We are going to repeat this for standard gauge and standard gauge market is much deeper than all others put together. So, there is definitely

interest, I would not like to name any country because we have not yet informed any exchange about this, but standard gauge, yes we are developing this.

Harshit Kapadia: And it will also be wise to understand would the costing be lower compared to your other competitors just on a normal basis without getting deep into numbers?

Rajeev Mehrotra: No, cost has to be competitive. There are competitors and we are able to compete. We will definitely be competitive. Gauge business is either you buy a readymade bogie from outside or you develop indigenously. Rest of the things are not very different. So, whether it is a locomotive or whether it is a coach once you successfully develop bogie or buy it from outside for launching the product, then experiment with the new customers and there is response. We have been talking to countries then only we have taken this step forward.

Harshit Kapadia: Okay. And on the Southeast Asia export order sir which you were already working on?

Rajeev Mehrotra: That order is not yet out for submitting price bids.

Harshit Kapadia: Okay. But the order is on hold, it's not scrapped. So, there could be some?

Rajeev Mehrotra: They are all struggling with COVID related disruptions. Therefore, I said hopefully by July we should be looking at price submissions there.

Harshit Kapadia: Okay. Sir, my next question is on the inflow side, you had given some sense on the growth in terms of order inflows. Now, would that also mean since you only highlighted 10% to 15% kind of a growth, would it mean that large projects like bullet train, semi high speed train, the up gradation of Mumbai and Bangalore network, possibly may shift to FY23 and possibly government is right now looking only towards major as in projects, which are more smaller size and fast to do. Is that a correct understanding sir?

Rajeev Mehrotra: No, I will say that the government is ready with its CAPEX plans. Also the metro companies or states which are developing, they are ready but sudden disruption or the type of disruptions we have had, would not be helpful for any sector whether it is manufacturing or transportation or exports. So, for the time being we all should actually wait and see how the vaccination picks up. And are we able to control the wave three. Then only all the new business actually would hit ground. Some time back I was confident of proceeding with one or two major orders and then suddenly we find in April that we are under lockdown. So, I will not guess the inflows, but potential is all around. Not only in India but, outside India where we are working. Presently, whether it's Africa or Southeast Asia people are suffering because of COVID.

Harshit Kapadia: But in India sir starting from June, as things come back to normalcy for you or we are still in that like 50%, 60% utilization level, we are still yet to catch up?

Rajeev Mehrotra: No, this is not normal. Even the government guideline on the attendance is that not more than 50% or below certain levels to call to office. So we are following this path in a very, very careful manner. So the project sites are still impacted, the land acquisition is impacted. But hopefully, maybe once the vaccination drives pick up, hopefully by August, September, it would be possible to see the impact on the ground. But right now it's not comfortable.

Harshit Kapadia: And question on sir turnkey construction what I heard is Rs. 1700 crore worth of order you have received as L1 and if I add close to Rs. 2200 crore of order, so you're almost close to 4000 crores worth of order. So, if I add both of them together. So is it possible to understand that because government wants to make electrification complete by 2023 they are pushing these projects on a faster basis. And hence for a short period of time, RITES may see turnkey construction revenue increasing significantly not been FY22 but possibly in FY23-24, given the size that it has in terms of order book?

Rajeev Mehrotra: I partly agree with you Mr. Harshit. When you are saying that electrification projects are on priority, absolutely right. Because the entire route is to be electrified by December 2023. But once this electrification is over, no new projects will come is not correct actually. This sector is going to see investments in more capacity additions. When the new lines are done, the new electrification would also carry on. So we are not just on electrification only, we are done doubling, we have completed our electrification projects last year. So what orders came in February, we are executing now.

Harshit Kapadia: Sir my question was, would RITES share in turnkey construction increase more than 30% of its sales because, earlier what we were targeting is we should not go more than 30% of our sales as a percentage of sales for a turnkey construction in any year, because we want to remain a consultancy company. But since your order book has now increased to 4000 crores. So is it visible to see that maybe in FY23-24, the percentage from turnkey construction may increase beyond 30% to let's say, 35%. Would that be a fair assumption?

Rajeev Mehrotra: That's not as a policy that we will do 30% or 40%, but if these projects like this year FY22 exports will possibly have a very good jump, for reasons already discussed. Similarly if the turnkey contracts are taken out, these contracts are not given every month, maybe one lot in a year or two lots in a year. Last year, we got only one lot and now this lot as of now. Further the documentation, design, tender itself will take six months to eight months. So what we are seeing today is actually going to generate revenue maybe somewhere in March 22 only. So nothing to worry that we have become a whole turnkey company. But it is important to build up the orders in hands.

Harshit Kapadia: Okay. And sir last question from my side, if you can, this is a bookkeeping question if we can highlight the quality assurance revenue number for FY21, within the consultancy bracket?

Rajeev Mehrotra: Rs. 298 crore, FY21 you are asking full year?

- Harshit Kapadia:** Yes, sir FY21.
- Rajeev Mehrotra:** Rs. 298 crore, which is about 20% lower than. In FY20 it was Rs.367. The planned CAPEX is highest this year. So, we might makeup, on the days of FY20.
- Moderator:** Thank you. The next question is from the line of Ramesh Bhojwani from Mehta Vakil & Co. Limited. Please go ahead.
- Ramesh Bhojwani:** First and foremost, it is so heartening and encouraging to see that despite having your hand in so many projects and so many consultancies you have come up again on top with flying colors. My one thought which is in my mind which I would like to share with you, existing railway infrastructure if it can be supplemented and complemented, can we not increase the speed of the railways by 25% to 50%. And rather than wait for new lines of high speed trains and semi high speed trains, that was my question?
- Rajeev Mehrotra:** This is very, very intelligent observation, because if you have a network already available, we should not rush through high technology and high investment part of it. Therefore, if you notice, the railways declaring from time-to-time that our average speed for a freight good, freight train was 25, which has actually gone up to 50 now. And so, they are consistently working on the obstruction, restrictions, the signaling part of it and the electrification. All this has increase the utilization of existing tracks. There is a program, all these trunk routes that is Delhi-Mumbai, Delhi-Calcutta and then followed by other routes, they are going to increase it to 160 kilometers speed. Once that happens, you will see a lot of increase in the passenger as well as the goods train speed. And when the traffic goes to DFC also, then we have further easing out on the existing infrastructure. So you are right, that instead of actually doing a Greenfield investment, better to utilize your key routes first with electrification, with better signaling, with better quality of rails and better maintenance techniques etc. And that's what exactly the railways are doing now.
- Moderator:** Thank you. The next question is from the line of Umang Shah from AMSEC Life PMS. Please go ahead.
- Umang Shah:** Sir, internally do you perceive the Indian Railways reducing consultancy margin as a risk for the long term?
- Rajeev Mehrotra:** See in long term, every business has a risk because you do not know how many players can come in. As we have opened up the economy, so people are actually coming, tying up with us, people are coming and tying up with others also. But this cannot happen overnight, what we have done in 47 years cannot be repeated by anybody just overnight. So, we are not threatened rather, whenever there is a possibility we are tying up with experts required in metro sector, high speed segment and then airports also. So, it is an opportunity also, it is a threat also, now it will depend how we use it.

Umang Shah: Sure sir. And sir about the IIT Delhi design project that you won in the last quarter. Sir, are we also looking for such orders in the private sector?

Rajeev Mehrotra: There's no restriction in going to private sector, but this came on a tender basis and this is very close to our operating areas. So we thought what we can deliver with minimum cost possibly nobody would be able to do, so we give best considered prices and we got it. And private sector yes, we are ready to do, if such a requirement is there in private sector. We work with MEA, we work with universities, we work with the defence on all such miscellaneous institutional projects.

Umang Shah: Right sir. And I had last question if I could, sir is there any internal conversation about the financial health of the Indian railway itself and that leading to a slowdown in spending in next five years, because the debt burden has been significantly increasing?

Rajeev Mehrotra: I will not comment on the health of railways because they have their own ways of managing this. But if you look at the abnormal situations they have faced. Suddenly they are to stop operations, then the freight was disrupted and the costs are fix. So, within that they have managed it well. Once the economy picks up, despite the disruptions the freight volume is on the rise. They have taken highest freight last year. So they are also trying their best. There is no fear of debt trap, if you do not invest in this infrastructure, the cumulative cost on the economy is still higher. I don't think that should be a worry. Rather, if you notice last five, six years, almost every year the CAPEX is being increased by 15%, 20%, and then you have confidence that you can.

Moderator: Thank you. We will move to the next question which is from the line of Lokesh Manik from Vallum Capital. Please go ahead.

Lokesh Manik: My question was on the turnkey part of the business, just for clarification, our role in the entire project would be for consultation and supervision and the EPC part would be outsourced to a subcontractor in that event, who bears the execution on the performance risk would that come on us, the project execution risk?

Rajeev Mehrotra: A very, very important question and let me clarify this that our role is almost again like a consultant only, first to conceptualize, design, get it approved, put it to tender, select a party and the risk is on the party. The entire EPC risk of time overrun is borne by them.

Lokesh Manik: So the selection of party is done by the railways or that is done by us?

Rajeev Mehrotra: We do that. Therefore, we have been able to accelerate the growth of electrification. The results you are seeing that 6000 - 7,000 route kilometers of electrification is happening because many agencies are putting their efforts, we are doing other railway PSUs are doing, railways directly is doing. So that is the outcome you can see.

Lokesh Manik: Okay. And sir if I understand correctly, this is a very attractive business that we have and margins are high actually similar to the consulting business. Because we are recognizing the entire project cost on the revenue part, which is why the 3.5% looks optically low but if you calculate on your 8.5% of the consultation fee then it comes up to about 30%, is that my understanding correct because we are talking on the entire project?

Rajeev Mehrotra: Absolutely right, the margin within the fee quoted is actually structured accordingly. Yes, absolutely right.

Lokesh Manik: Sir, so do we have any plans to maybe go aggressive on this business chunk given that this is a working capital like model compared to a consultancy business, again that is a forte and we don't want to divert too much from that, but turnkey is very attractive for us to step on the pedal and probably hire more manpower and employees tend to cater to that side of the business, giving the attractiveness of the business?

Rajeev Mehrotra: Yes, you are absolutely right, without much of incremental manpower or manpower cost been added, the initial projects we have been able to handle. But we do not intent to become a turnkey construction company because there are other companies in the sector which are doing these jobs in India. However this definitely prepared us as a complete solution provider. If today I have to give a bid somewhere from concept to commissioning of a railway system, we have earned this capability now. Also, you see in last two to three years we just delivered all the electrification projects given to us, all the doubling projects given to us except a small portion of the turnkey which possibly was delayed because of the technical requirements in a particular junction. Projects have been delivered without much incremental manpower cost being added to the company. So initially, people had apprehensions about what you are doing, from consulting you are going to construction. But I said, if the same kinds of people are doing this work for other clients, this is slightly earned more for the company with this business and we are happy that it has yielded positive results for the company without exposing us to construction or financial risk.

Lokesh Manik: That's fair enough sir, but we are any which way not in the turnkey we are only in the consulting part. So, I don't think it would be right to brand us as an EPC company. But then at the other end, it's also so attractive that we should be looking at going aggressive and not maybe with the existing manpower and with probably with even more manpower or opening up more offices where these projects are coming up. Again, coming back to the attractiveness of the business compared to the rest three businesses that we are doing,

Rajeev Mehrotra: We felt that we have capacity to handle a little more, so after completing the jobs in hand last year, then getting about Rs 800 crore order sometime in February, we gave again offers for some more business not at the cost of our core businesses.

Lokesh Manik: Definitely not sir, this can be an incremental.

- Rajeev Mehrotra:** There is scope to actually leverage it further within the employees' strength. And you see we have reduced manpower by about 8%. Still adding incremental business, so the productivity is being consistently on rise.
- Lokesh Manik:** Right. And if I look at our growth on an overall basis, is it fair to approximate that with the CAPEX of the government and the railway sector. If the railways CAPEX and the central government CAPEX is doing 10% we can expect at least 10%, would that correlation be apt 1:1?
- Rajeev Mehrotra:** Permit me to very guardedly answer the question.
- Lokesh Manik:** Very broadly nothing specific, I'm not going to hold you.
- Rajeev Mehrotra:** As per the new guidelines something which are not declared, but given the publicly available information, there is National Infrastructure Pipeline (NIP), and within that, you see opportunities coming from railway sector, highways, airports, ports, power. We are into all these segments, so there is buoyancy of course. Once the normalcy returns you will see things moving fast because we need to solve the unemployment issues as well. So with that companies like RITES, I'm sure will not be sitting back and not getting those incremental businesses.
- Lokesh Manik:** Right. Sir, just last one if I can squeeze in, on the project value basis of both consultancy and turnkey, on the project not on the sale; what would be a market share approximately in these CAPEX programming of the government and including the railways, very broad idea in terms of our market share?
- Rajeev Mehrotra:** This is very, very difficult, because market share itself is very difficult to determine.
- Lokesh Manik:** Okay. So a Rs. 1000 crore consultancy revenue would be approximate Rs. 10,000 project value is that fair enough if you can say?
- Rajeev Mehrotra:** 20 to 25 times. So, if I am commenting on my income and multiplied by the multiplier effect on the project value, you are absolutely right. Possibly we are one of the biggest consulting fee income booking company, but I do not have more data to elaborate upon this. But, 20 to 25 times is the value we have to deliver to earn this money. So consulting income looks small, but then a lot of efforts go into.
- Lokesh Manik:** No, that's there because in the past you mentioned that about 8% to 10% of the project cost is usually the consulting fee that is in part.
- Rajeev Mehrotra:** That is right.
- Lokesh Manik:** Yes, that's how I derived it.

- Rajeev Mehrotra:** So, I think they will come out in the next couple of years because government says they will double and triple the investments, NIP is there with projects identified and approved. So let us hope for normalcy to return on the COVID front.
- Moderator:** Thank you. The next question is from the line of Shreyans Mehta from Equirus Security. Please go ahead.
- Shreyans Mehta:** Sir, my question pertains to REMC Ltd, so just wanted to know what is the investment as on date in REMC Ltd?
- Rajeev Mehrotra:** This would be around Rs. 105 crore of total equity. Railways and RITES together it will be Rs 105 crore. And RITES has 51% share.
- Shreyans Mehta:** So, half of that would be around Rs. 50, 55 odd crore?
- Rajeev Mehrotra:** Rs. 50 -51 crore, initially we invested less because we recently gave one bonus so my colleagues said that this including bonus figure so you can say that is the investment right now.
- Shreyans Mehta:** Got it. And sir once we do this Rs. 200 crore odd investment where do we see this top line say probably a year down the line or two years down the line?
- Rajeev Mehrotra:** See there will be two types of revenues flowing in. One is on the return of investment for this 400 megawatts which is being done by us on ownership business. We are likely to get that CERC formula say roughly about 15%-16% of ROE. That is one set of business, the second set and the bigger pie would be getting a fee, which is right now indicated to be Rs.0.05 per unit, for power generated by others but consumed by railways and this should give about Rs. 40 to 50 crores of incremental business put together, for both things put together.
- Shreyans Mehta:** Okay, so I'm just trying to understand from an investors perspective will it be a value accretive, because currently on a Rs.50 -55 odd crore we are doing a top line of Rs. 100 odd crore. And, once we do a 200-crore investment again on that probably we'll be doing roughly around Rs.60 - 80 odd crores. So, I'm just trying to, am I right in my understanding?
- Rajeev Mehrotra:** No, sir you possibly missed one important explanation I did, that 75% of the installed capacity, the installed capacity itself will be more than double. And it's likely to be touching around 5000 megawatts in two to three years down the line, including the DFC. So if you're handling that, you are already 2.5x up from here and then you add this.
- Moderator:** Thank you. The next question is from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.

Chintan Sheth: Sir, on the CAPEX front you mentioned Rs. 28 crore for the locos for five new locos and the remaining Rs.140 - 150 odd crore you mentioned will be spread over a couple of times, so this year itself where did you spend it?

Rajeev Mehrotra: Let me tell you again, that Rs.28 crore has been sanctioned by the Board yesterday for five in service locomotives, and at the end of it, we already have indicated to the market that we intend to buy 10. So, maybe there will be one more purchase a little later. But since now the old locomotives are available at very attractive price, earlier idea of going for new locomotive is not needed. There's a change in circumstances completely and we are getting ready delivery, so very soon we'll be able to get these five locomotives and then possibly again next lot would also be in service locomotives as we call them.

Chintan Sheth: Right. It will be already in service.

Rajeev Mehrotra: Remaining CAPEX, I said there would be requirements we already have started one building block with a laboratory in Calcutta. And we intend to do this in UP region also at Lucknow. So, there about Rs. 120 crores would be spend in two years, this year and next.

Chintan Sheth: I am asking, how many locos right now, which has been leased out currently as of March of 21?

Rajeev Mehrotra: 63 we have already leased.

Moderator: Thank you. As there are no further questions, I would now like to hand over the call to the management for their closing comments.

Rajeev Mehrotra: Thank you ladies and gentlemen for very patient hearing and very interactive discussion with the management. We have had a very turbulent year for everybody and we tried to optimize on whatever resources we had. We were optimistic that normalcy would return soon and we will catch up. But then this got delayed till maybe Diwali, things were not moving. In March, we thought we are out of this and then suddenly we are caught in April again. Hopefully, I pray that situation normalizes soon. The company's strength is intact, order book is intact, the sector gives optimism in India as well as outside India. And, I'm sure my colleagues would continue to seize more opportunities and deliver professionally.

I also would like to share one important event with you that I started my journey with this company in 2007, as a Director Finance and I'm due to retire this month on 30th June. I have been a part of major changes in this company from expanding to different markets, to getting listed and then today we are seeing attempting higher growth. So, I'm sure my successors would continue with the same zeal or maybe with more zeal in the times to come as the opportunities will be many more times. This success would not have been possible without

your unwavering support and confidence in the company. I am grateful to you for the same, best wishes from my side. Goodbye and take care of all of you. Thank you.

Moderator:

Thank you, for all being a part of our conference call. If you need any further information or clarification, please mail at animesh.lodiya@rites.com or Gaurav.g@conceptpr.com. Ladies and gentlemen, this concludes your conference for today. Thank you for using Chorus Call conferencing service, you may disconnect your lines now. Thank you and have a pleasant day.

-End-

Disclaimer

This is a transcription and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy. Statements in this transcript describing the Company's objectives, projections, estimates, expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand / supply and price conditions in the domestic and overseas markets in which the Company operates, changes in Government regulations, tax laws and other statutes and incidental factors. This communication is not an offer to sell or the solicitation of an offer to buy securities.