

RITES Ltd : Good Issue

IPO Note : A Miniratna PSU Company in Railway Infrastructures and transports, Reasonable issue price, About 9% CAGR Consistent Moderate Growth

: Ranking***



Issue details

Price band (Rs)	Rs.180-185
IPO Opening Date	20/06/18
IPO Closing Date	22/06/18
Issue Size	Rs. 466 Cr.

Recommendation

Total revenue grew at a CAGR of **9.61%** from Rs.1083.05 Cr for the FY 2013 to Rs.1563.27 Cr for FY 2017 and Net Profit grew at a CAGR of **11.61%** in the same period. Net profit grew from Rs.233.06 to Rs.361.66. For the nine months ended on 31.12.17, it has earned net profit of Rs.252.53 cr. on a turnover of Rs.1061.06 cr. Its current order book is little over Rs.4819 crore comprising Rs.2572 crore for consultancy services, Rs.1408 crore for Turnkey projects, Rs.698 crore for exports. As per RHP, there is no comparable listed companies in India engaged in the same line of business as the company. **If we analyse the latest earnings and attribute it on fully diluted equity capital of Rs 200 crores, the EPS works out to Rs.16.82, then asking price Rs. 185 is at a P/E of 10.99. Hence issue price is reasonable. There is about 9% consistent moderate CAGR growth in top and bottom line. The investors can expect reasonable gain.**

Highlights

- Rites Limited (Rail India Technical & Economic Services Ltd.) is a wholly owned Government Company, a Miniratna (Category – I) Schedule ‘A’ Public Sector Enterprise
- A leading player in the transport consultancy and engineering sector in India and the only company having diversified services and geographical reach in this field under one roof
- It has an experience spanning 43 years and undertaken projects in over 55 countries including Asia, Africa, Latin America, South America and Middle East regions.
- Rites is the only export arm of Indian Railways for providing rolling stock overseas (other than Thailand, Malaysia and Indonesia)
- It has total debt of Rs.70 crore as on Dec.2018
- It is offering a discount of Rs. 6 per share to eligible employees and retail investors

Company Introduction

Incorporated in 1974, RITES Ltd. is a Government of India Enterprise, under the aegis of Indian Railways. RITES Ltd., is a multi-disciplinary consultancy organization in the fields of transport, infrastructure, and related technologies. It provides a comprehensive array of services under a single roof.

Since its inception, the company has evolved from providing transport infrastructure consultancy and quality assurance services and have developed expertise in:

1. Design, engineering and consultancy services in transport infrastructure sector with a focus on railways, urban transport, roads and highways, ports, inland waterways, airports, and ropeways;
2. Leasing, export, maintenance, and rehabilitation of locomotives and rolling stock;
3. Undertaking turnkey projects on engineering, procurement and construction basis for the railway line, track doubling, 3rd line, railway electrification, up gradation works for railway



www.ritesltd.com

Financial Summary (Rs. In Crore)

Particulars	Nine month ended Dec. 2017	FY2017	FY2016	FY2015
Total Income	1061.06	1563.27	1226.72	1159.1
Net Profit	252.53	361.66	282.51	312.21
EPS (Rs)	12.62	18.08	14.12	15.61

*EPS not annualize

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

transport systems and workshops, railway stations, and construction of institutional/ residential/ commercial buildings, both with or without equity participation; and 4. Wagon manufacturing, renewable energy generation and power procurement for Indian Railways.

In India, the clients include various central and state government ministries, departments, instrumentalities as well as local government bodies and public sector undertakings. These include Indian Railways, NTPC, Dedicated Freight Corridor Corporation of India Limited, High Speed Rail Corporation of India Limited, Public Works Department, DMRC, Steel Authority of India Limited, Metro Link Express for Gandhinagar and Ahmedabad (MEGA) Company Limited, Indian Port Rail Corporation Limited, Airports Authority of India, among others.

Company Promoters:

The Promoter of the company is the President of India acting through the MoR.

The object of the issue

1. To carry out the disinvestment of 24,000,000 Equity Shares held by the Selling Shareholder in the Company
2. To achieve the benefits of listing the Equity Shares on the Stock Exchanges.

IPO Issue Proceed

For listing gains and diluting stake of Govt. of India, Rites is coming out with a maiden IPO of 2.52 crore shares of Rs.10 each by way of offer for sale via book building route with a price band of Rs. 180 - Rs. 185 to mobilize Rs. 453.60 cr. to Rs. 466.20 cr. (based on lower and upper price bands). Issue opens for subscription on 20.06.18 and will close on 22.06.18. It has reserved 12 lakh equity shares for eligible employees. Thus net public offer will be 2.40 crore equity shares with allocation of 50% to QIBs, 15% for HNIs and 35% for retail investors. Minimum application is to be made for 80 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. These beings offer for sale, it's paid up equity remains same at Rs. 200 crore post issue.

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