

RailTel Corporation of India Ltd : Good Issue

IPO Note : Largest Neutral Telecom Infrastructure Providers in India : Mini Ratna : Steady Growth : Zero Debt : Dividend Paying : Ranking***



Issue details

Price band (Rs)	Rs.93-94
IPO Opening Date	16/02/21
IPO Closing Date	18/02/21
Issue Size	Rs.419.24 Cr.

Recommendation

On the financial performance front, for the last three fiscals, RailTel has posted total income/net profits of Rs. 1021.22 cr. / Rs. 134.01 cr. (FY18), Rs. 1038.27 cr. / Rs. 135.36 cr. (FY19) and Rs. 1166.01 cr. / Rs. 141.07 cr. (FY20). For the first half ended on September 30, 2020, it has earned a net profit of Rs. 45.58 cr. on a turnover of Rs. 553.78 cr. With profit margins of 13% and ROCE of 14%, the company leads the pack of telecom companies. If we attribute annualize latest earnings on fully diluted post issue equity, then asking price is at a **P/E of around 33.10**. However, on the basis of FY20 earnings, the **P/E stands at 21.36**. Thus issue appears fully priced. As on September 30, 2020, it's current paid-up equity capital of Rs. 320.94 cr. is supported by Rs. 1073.69 cr. of free reserves. **Looking at its normal top and bottom line with moderate margins, investors may consider subscribing for long term.**

Highlights

- RailTel Corporation of India Ltd. (RailTel) is an information and communications technology ("ICT") infrastructure provider and one of the largest neutral telecom infrastructure providers in India
- As of January 31, 2021, RailTel's optical fiber network covers 59,098 route kilometers and covers 5,929 railway stations across towns and cities in India.
- As of January 31, 2021, under "Railwire" the company has 305746 customers and 5023 AMPs (Access Network Providers) and is an emerging key partner for Indian Railways.

Company Introduction

Incorporated in 2000, RailTel Corporation is a public sector business unit, wholly owned by the Government of India (GOI) and administrated by the Ministry of Railways. It is an Information and Communication Technology (ICT) infrastructure provider company. The company was established with the key objective to modernize telecom infrastructure and today, it is one of the largest telecom infrastructure providers. RailTel uses the latest technology like high dense wavelength division multiplexing (DWDM) and multi-protocol label switching (MPLS) network. The company has data centers in Haryana, Gurugram, Secunderabad, and Telangana.

RailTel has a strategic relationship with the Indian Railways and undertakes a wide variety of projects including the provision of mission-critical connectivity services such as Video Surveillance System ("VSS") at stations and within trains, 'e-Office' services and implementing short-haul connectivity between stations and long haul connectivity to support various organizations within the Indian Railways. It also undertakes various passenger services including



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Financial Summary (Rs. In Crore)

Particulars	Six months ended Sept. 30, 2020	FY2020	FY2019	FY2018
Total Income	574.78	1166.01	1038.26	1021.21
Net Profit	45.58	141.06	135.35	134.01
EPS (Rs)	1.42*	4.39	4.21	4.17

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

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

Content on Demand ("CoD") services and Wi-Fi across major railway stations in India. With the latest technologies and diversification plans, the company is gearing for steady growth going forward in India and neighbouring countries.

Company Promoters:

The President of India, acting through the Ministry of Railways is the promoter of the company.

Objects of the Issue:

The net proceed from the IPO will be used towards following purposes:

- 1.To carry out the disinvestment plan.
- 2.To achieve the benefits of equity share listing on the stock exchanges.

IPO Issue Proceed

To meet the disinvestment targets and listing benefits, RailTel is coming out with its maiden offer for sale of 87153369 equity shares of Rs. 10 each and has fixed a price band of Rs. 93 - Rs. 94 per share. The company mulls mobilizing Rs. 810.53 cr. - Rs. 819.24 cr. based on lower and upper price bands. The issue opens for subscription on February 16, 2021, and will close on February 18, 2021. Minimum application is to be made for 155 shares and in multiples thereon, thereafter. RailTel has reserved 500000 shares for allotment to eligible employees. It has allocated 50% for QIBs, 15% for HNIs and 35% for Retail investors from the residual portion. The issue constitutes 27.97% of the post issue paid-up capital of the company. This being offer for sale, RailTel's paid-up equity capital remains the same at Rs. 320.94 cr. Based on the upper band price of the IPO, it is looking for a market cap of Rs. 30168.21 cr.

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