



“Rail Vikas Nigam Limited
Q4 FY25 Earnings Conference Call”
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MODERATOR: **MR. VISHAL PERIWAL – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Rail Vikas Nigam Limited Q4 FY '25 Earnings Conference Call hosted by Antique Stock Broking Limited. Please note, this conference call is for 45 minutes. As a reminder, all participant 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vishal Periwal from Antique Stock Broking. Thank you. And over to you, Mr. Periwal.

Vishal Periwal: Yes. Thanks, Neerav. Good afternoon, everyone and welcome to the post results earnings call of Rail Vikas Nigam Limited. We have the management with us to discuss the quarter 4 results and post which we'll have a Q&A session. And the RVNL team in this call is led by Mr. Pradeep Gaur ji, Chairman and Managing Director; Mr. Sanjeeb Kumar ji, Director, Finance and CFO. Mrs. Anupam Ban, who is Director Personnel at RVNL and Mr. M.P. Singh, Director Operations at the company.

So we'll have a brief from the management, and then we'll open the line to Q&A. Yes. Thank you, and over to you, sir.

Pradeep Gaur: Good afternoon, everyone. We have already...

Moderator: Sir sorry to interrupt you, you're not audible.

Pradeep Gaur: We have already now declared the -- our results for the financial year 2024-'25. And we have performed to the best of our ability, both in assigned works of railways and whatever projects we have taken on bidding. So RVNL is, I mean, going ahead and is transitioning very smoothly from a business of only assigned works to work taken on bidding and moving from railway infrastructure to infrastructure in many fields like metros, highways, ports, manufacturing and very recently into telecom in a big way with a BharatNet tenders.

So I see -- I mean, the organization is performing equally well what it was performing in projects taken on assignment now to the projects that we have taken on competitive bidding. So the core strength of the organization in terms of creation of infrastructure, project management, project planning and efficient execution is coming to force. And we are performing well.

And I think that now we have reached to the point where our turnover definitely, which has gone down compared to the last year. But maybe this may be the last of that before we start rising again because our -- this year also, we are very confident that our turnover from bidding will increase multifold compared to the previous financial year and we'll be able to make up.

So my faith in whatever -- I have faith and conviction in whatever I am mentioning is because now today our work orders from projects taken on bidding -- work taken on bidding exceeds the projects what we have taken -- what we were assigned by the railways. And this transition, I

mean, this I'll complement the strength of the organization, its resilience, its versatility to navigate through the challenges.

And now we are quite primed to be in a competitive environment. And we are getting works also on bidding in multifarious fields. So the best part is we are not putting all our eggs into one basket. We are moving in different directions. And I am very confident that in the coming time, RVNL will be a very outlier performer in various fields and I see a very bright future for us. Thank you so much. And we are ready for any questions whatever is related to the annual results and quarter 4 results.

Moderator: Thank you very much. We will now begin with the question and answer session. First question is from the line of Ranodeep S from MAS Financial Services Limited. Please go ahead.

Ranodeep S: Thank you for the opportunity. Sir we had a guidance of INR21,000 crores turnover. Any specific reason for missing out on that one? Was there some delay in order execution? And will we see an impact of this in Q1 of the subsequent year?

Pradeep Gaur: Yes. Actually, we could have achieved turnover of INR21,000 crores. Main -- actually, we ended up around INR19,500 crores. Basically, we had some issue of funding from Ministry of Railways projects, almost a lot of works, which we have -- which -- I mean, due to whatever money, actually, we had asked for a funds of around INR23,000 crores from Ministry of Railways.

And finally, we ended up getting around INR19,000 crores. So there was a gap which led to a bit of less expenditure in that. So that has led to this slight -- we could not achieve that INR21,000 crores.

Ranodeep S: Sure. So my next question is a little on the long term. We are aware that around INR25 lakh crores investment is stated to happen in the railway space by 2047. Just wanted you to allude to what is our right to win in this segment? And the second part to that question is, I think our order book was at around INR1 lakh crores with around INR47,000 crores each for bidding and railways. How is it transitioning in the coming years? If you can share on these lines?

Pradeep Gaur: Yes. So as far as railways sector is concerned, definitely, there are a lot of opportunities. I mean, in the short term, even up to 2030, they have talked of the rail plan. So we -- our core strength being railways, definitely, it will -- it is a good opportunity for us, and we'll have a good number of projects from railway sector.

But we are not banking upon only railways. We are diversifying into various fields. So I mean it is not something that we are not dependent only on railways. Railways, of course, whatever additional outlay and all what they give in railways, it is to our benefit. And we'll have more opportunity to increase our order book as well as turnover. And second question, sorry, you asked about?

Ranodeep S: So this is on the order book. I think last time you mentioned our order book is almost at INR1 lakh crores, around INR45,000 each in bidding and railways. How is it?

Pradeep Gaur: Yes. So order book of projects taken by assignment from railways definitely is depleting because a few years back, we had order book from railways of almost INR1.15 lakh crores. Today, it is down to INR45,000 crores. It will go further down. But we are more than compensating it with order taken on bidding from market. So order book is not an issue.

Now issue is only we have to have against a very known and a very comfortable margin of -- in the assigned projects with less risk on that. Now we are transitioning to work taken on bidding. So our challenge will be to have the same sort of margins, even better than what we had in railways so that this organization is both physically -- physical delivery as well in financial terms is in excellent shape.

Ranodeep S: Sir, one last question. This will be on the international orders. Sir, we've not heard any major updates on international orders. Can you throw some light on some of the marquee projects that we were slated to bag?

Pradeep Gaur: Yes, sir. I completely agree with you, but this is one of our area of focus. The foreign -- I mean, we are very, very -- we have a clarity on that, that at least our portfolio of overseas has to be -- I mean, gradually, it should reach up to even 40%, 45% of the total because -- that is what -- I mean, one is the exposure point of view. And second, even from the margin point of view, we are -- this is something very strategic for us, and we are working in this direction, and we are focusing on it.

As of now, we have bid in projects worth almost INR5,000 crores, INR6,000 crores on immediate basis, which we have done in last just week to 10 days back. And we are -- a lot of projects are in pipeline in different areas. Like we have -- we are looking for a very major project in Albania. This is a railway project worth more than INR3,500 crores. Then we are going into Peru.

We have a very strong -- I mean that's again a very big project in which we will be playing the role of sort of what I should say, project planner to the designer and all those things. Then we have a lot of opportunities in Middle East, which we are -- I mean, that is also under quoting in very near future, maybe 10, 15 days from now.

So a lot of things. It's our main focus area. And I'm sure in coming days and weeks, definitely, we'll be doing a lot of bidding in overseas. And let us see what is the strike rate for us. As of now, we have projects worth only INR4,000 crores overseas. But I'm sure this year, we will have -- we will increase this figure by at least -- I mean, two, threefold. Definitely, we should do it. So let us see.

Ranodeep S: All right, sir. Thank you for the responses.

Moderator: Thank you. Next question is from the line of Rajesh Agarwal from Moneyore Capital. Please go ahead.

Rajesh Agarwal: Sir, last year, we did a turnover of INR21,000 crores, how much turnover is expected this year? And can we protect the margins?

Pradeep Gaur: See, I am hopeful that this turnover for the current financial year will definitely be in the same order or maybe it will increase further because still there is some effect of this reduction of assigned projects. So it should not go beyond that. I think we have hit the -- we have hit the bottom now, whatever it would have been less. Because if we had continued with the same model, today, we would have in the range of maybe INR26,000 crores to INR28,000 crores turnover per year.

But this change of this business model has definitely affected us, which has led to some downscaling -- I mean, either stagnating or maybe not that much rise. And now it has reached a level at which I don't think we'll go further down because we have now sufficient order book from the projects taken on bidding, which will more than compensate for these projects on assignment.

So I will put it around INR21,000 crores only. I will not I mean-- I'll be realistic in this case. But I think beyond this, it is bound to increase.

Rajesh Agarwal: And sir, will have a better margin this year because of the bidding projects?

Pradeep Gaur: Margins, definitely, as of now, it is in the same range, but now that will be a challenge to not only maintain those margins, but also improve it. That is where the core strength of organization is coming to fore now. We are looking for alternate methods of working. And then secondly, we are trying to diversify -- we are -- see one of the important things, which we have realized that we cannot be only an EPC executing agencies.

We have to go beyond that. We have a core strength in different fields. So we are trying to enter into new fields like metro maintenance, then manufacturing, manufacturing in a small way and then we will expand further than overseas projects. And so this way, definitely, margins -- I'm having conviction and confidence that not only we'll maintain the margins of work what we have taken on assignment, but we'll improve it further also.

So this margin is very, very important. We are having a very close look at it, and that is what it is making us to think to not confine ourselves only to this EPC business because if I may use the word, there's a sort of blood bath in EPC contracts because people are quoting unrealistically low even up to minus 20% to minus 25%. Even they have gone even to minus 30%.

Rajesh Agarwal: But we will be also an EPC contract under the payment execution risk, everything will be on...

Pradeep Gaur: Sorry, I could not get it. If you can kindly repeat and maybe slightly slowly.

Rajesh Agarwal: Okay. We have also bided the orders for execution risk, working capital challenges, payment challenges, material challenges, everything will be on us only now?

Pradeep Gaur: With EPC?

Rajesh Agarwal: With EPC.

Pradeep Gaur: Yes. Those challenges are there. But as of now, I mean, we are not losing anywhere. And we have enough working capital to take care of all these things. And secondly, we are doing a lot

of -- I mean, we are having a lot of learning even in finance, financial issues regarding these BGs and all. Now we are able to get best of deals from the various banks. Banks have a lot of confidence in us.

I mean our BG rate is just 0.05% to 0.1% and wherever it is required. So I don't think we have any challenge on that thing. And we continue to remain debt free, and we have sufficient capital to take care of even small time manufacturing what we want to start and other things.

Rajesh Agarwal:

So now what is the status of all the JVs are performing profitably? And what can be the growth in the JVs and the Vande train manufacturing?

Pradeep Gaur:

JVs Okay. JVs, there are two, three important JVs, which are very -- one is, of course, whatever we have executed projects on public-private partnership model that is the projects of Indian Railways. So all are commissioned now and revenue has started coming. And in fact, we have got dividend from two SPVs of INR25 crores. So because they are taking care of their debt also. And they are moving now smoothly, and we will be having sufficient returns from that.

Besides that, one of the important JV is that manufacturing of Vande Bharat. So that production will start from June '26 onwards. So we are hopeful -- I mean, next year onwards, we'll start getting revenue on that. So as of now, it is only on the expenditure side. Now recently, we are having -- this is still to be formed, but I think it will come in very soon regarding the BharatNet work.

That also we are going to have SPVs. Plus we have taken some projects on HAM for which we have made SPVs. So all these things are moving. I mean we'll be making margins somewhere. There no doubt on it.

Rajesh Agarwal:

Thank you, sir.

Moderator:

Thank you. Next question is from the line of Anuj from Tijori Finance. Please go ahead.

Anuj:

Hello Sir! Am I audible?

Pradeep Gaur:

Yes, Please slightly bit louder.

Anuj:

Okay. How much current cumulative order book do we have and what percentage of order comes from Indian Railways?

Pradeep Gaur:

You are not audible, please, if you can make it a bit louder.

Moderator:

Anuj may I request you to speak through handset please.

Anuj:

I was asking, sir, how much current cumulative order book do we have now? And what percentage of order book comes from Indian Railways?

Pradeep Gaur:

The order book, what we have presently is around INR1 lakh crores, out of which INR45,000 crores is from Indian Railways, which are assigned projects and around INR55,000 crores from projects taken on bidding.

- Anuj:** Okay. Thank you, sir.
- Moderator:** Thank you. Next question is from the line of Mr. Vishal Periwal from Antique Stock Broking. Please go ahead.
- Vishal Periwal:** Yes, sir. Thanks for the opportunity. Sir, you mentioned on the order book of INR1 lakh crores. So between various sectors, will you have this data like how this is split, say, railway, power, other sectors, sir?
- Pradeep Gaur:** Mr. M.P. Singh, my Director Operations have got these details. He will just tell you.
- M.P. Singh:** Good afternoon. Besides our order book from legacy railway project, which is of order of around 46,000 crores.
- Moderator:** Sorry to interrupt you. May I request to come a little closer towards the speaker and talk.
- M.P. Singh:** Yes. Out of our order book of roughly INR1 lakh crores, INR45,000 crores is from our legacy railway projects and balance is from our bidding projects. The distribution of that bidding projects is -- we have got an order of around INR4,000 crores from our international projects. Then civil engineering projects, they roughly constitute around INR9,500 crores projects, which are in various segments, be it in road sector, civil infrastructure sector or in metro sector.
- Then electrical engineering, we have got order book of around INR9,490 crores, which is -- majority of that is in RDSS, which is revamped distribution support system basically for improvement of the state electricity system, which is for the last mile users. And besides that, we have got some orders from Indian Railways in electrical also, which is for 2x25 kV electrification as well as the service station and some order from even the solar sector from international, which is Uzbekistan and Kingdom of Saudi Arabia.
- Then Vande Bharat, our segment order, which is our share in the JV is around INR9,640 crores. And in the field of telecom and signalling, our total order book is of order of INR9,000 crores, which is comprising of the capital segment of the Vande Bharat -- sorry, BharatNet and in S&T field, that is coming from the automatic signalling for Indian Railways.
- The order book for BharatNet is -- I'm talking about only the capital segment that is around INR7,000 crores. And if you add up the operation and maintenance over the year of the 7 years duration after completion of the project, that will be adding another INR7,000 crores. So total BharatNet order will be around INR14,000 crores.
- Vishal Periwal:** Okay. Sure, sir. Sure. And this BharatNet of INR7,000 crores, that is our share, right, sir?
- M.P. Singh:** Yes. That is our share.
- Vishal Periwal:** Got it, sir. And sir, will you have this number like last year, FY '25, what was our order inflow in RVNL?
- M.P. Singh:** I didn't get you. Order inflows?

Vishal Periwal: Yes, sir. Last year, FY '25?

M.P. Singh: Yes. FY '25, the total order flow was order of INR14,000 crores. And we hope to continue this momentum further, and we want to take it order -- our target is to increase it by another 20% to 25% in the current financial year.

Vishal Periwal: Okay. Got it. So basically, incrementally almost like INR3,000 crores to INR4,000-odd crores incremental, which is like INR17,000 crores, INR18,000 crores is what we are targeting as an inflow in FY '26?

M.P. Singh: Yes.

Vishal Periwal: Okay. Got it. And sir, sorry, CMD, sir, mentioned that in EPC, there is a cut-throat competition. And we are not only focusing on EPC, we are focusing on others. So when you say others, what exactly it means? Is it an asset ownership sort of business that we are targeting now?

M.P. Singh: No, other segment is like we want to venture into the segments which will give us a long-term revenue viability also. That is like we want to enter into the operation and maintenance of the metro. This is an exciting and emerging field. Already some metros NCRTC has given an operation and maintenance contract. Chennai Metro has entered into that.

In country, metros is under construction or operation in roughly 20 cities. So a lot of opportunities coming in the field of operation and maintenance of metro. And gradually, this is -- Indian Railways is also tying up with the idea of operation and maintenance of the workshops. And gradually, they will be transiting to the operation and maintenance of track and other systems also.

Simultaneously, we want to enter into energy sector in the solar sector with the BESS storage, where if a long-term PPA is done because Indian Railways has also a target to become a net zero by 2030 for its traction requirements. So a lot of opportunity in field of battery storage solar system is there. So we are exploring that option also.

And we are also have an exciting field that is a new field coming up that small modular reactor of nuclear power also because in the current budget, Government of India has given a lot of emphasis on solar -- nuclear power sector also.

Pradeep Gaur: I'll add to that, we are entering into even data centers. That is another field which we are focusing on. And because that is also -- it's a good return type of work. So that also we are seriously moving towards that.

Vishal Periwal: Okay. Sure, sir. And sir, Vande Bharat, the order book, which is almost like INR9,600-odd crores. So where exactly we are? I think earlier, there was some change of scope was there, number of coaches got changed and then they were revised back to the previous one. So where we are right now in terms of prototype?

And I think you did mention like next year, that is June '26, some bit of revenue could start. So any color that can be provided on the operational front, sir, on this order?

Pradeep Gaur: Yes. Now it is -- we are moving very smoothly on that. And because a lot of work what we had already done on it, it has not gone -- I mean it is -- it continues to be very relevant because Indian Railways after dabbling with 24 coaches, they have gone back to the original this thing. So now we are back on stream as far as Vande Bharat is concerned. And Indian Railways has given us a revised date of June '26 because of this 10 months gap.

So definitely, we are sure by June '26, the first prototype will come. And then the revenue generation and this positive cash inflow will start happening in this case. And sorry just to add, the procurement plan and all these things -- I mean, almost 80% to 85% of procurement orders have been placed. Material has started coming in. And maybe I think June onwards, we may start the assembly and this process at Latur workshop. So I think it will be smooth sailing from now.

Vishal Periwal: Okay. And in this -- when you say June '26 is the first prototype, so prototype, again, that's the first and then probably there will be certain approvals will be required. So in FY '27, will there be revenue or it will approvals itself may move things to FY '28?

Pradeep Gaur: Yes. June '26, first prototype and immediately within 60 days, the second prototype will be there. And then they will be simultaneously on trials. So here, good thing is that this is mainly ICF design, which is -- where the trains are already running. Only thing is it is getting modified from chair car to sleeper type.

So there is minor modifications in design. So some sort of trials will take place. But this will not be a trial of the type where the -- I mean, rolling stock is being put for the first time. So to that extent, we expect a very fast trial. And once that trial finishes, definitely -- because whatever the material is being ordered now, it is not being ordered only for 2 prototypes. These are being ordered for at least around 15 trains -- train set.

So I think we may start getting revenue from 2026-27 if the things goes as what we have planned, unless -- because I don't expect any surprises in the trial because basically, 90% of design will continue to be ICF design on which the Vande Bharat trains are already running and their operation.

Vishal Periwal: Right, sir. And just to recollect on the numbers. So each train set is INR120 crores and we need to supply INR120 crores?

Pradeep Gaur: INR120 crores each. And present production cost of these trains are around INR95 crores to INR97 crores as per what they are being manufactured in ICF. So let us hope things will be -- it will be a positive adjusting.

Vishal Periwal: Okay. Sure. And maybe one last thing and then I'll come back in the queue. I can see a few -- yes. So one last thing, sir, I think in terms of -- we have moved to a couple of divisions, new sectors we have moved to. In terms of maybe employee strength, I'm pretty sure like we are working on that front.

So any color on the human resource side can be provided like what could be the employee stand maybe a year back, how it has shaped now? And then what we are targeting next year? And anything that is available, sir?

Pradeep Gaur:

See, we are moving in two directions. We are rightsizing the organization based on the requirement. Secondly, the metrics of the employees. That also is undergoing change because earlier, this organization was doing only the projects assigned from Indian Railways. So this organization consisted of almost 100% people drawn from railways.

Now the mix is changing. We are doing a lot of recruitments as per this plan while keeping the strength of the organization because normally, any organization in government sector will have an attrition of around 3% to 4%. So those people who are going, they are mostly from exclusively railway background. These are being replaced with people from varied fields like highways, like solar, like other things based on wherever we are doing.

So that is a very challenging process for us. And I think we are moving in a very right direction, right mix of people and rightsizing of the organization. So as far as employee strength is concerned, I think we have -- last year, we had 1,221 people, and now we have 1,040.

So strength is being rightsized and the -- metrics is also -- is undergoing change in a very -- I mean, what I should say, in a very smooth manner without disturbing the whole thing and progressively based on whatever new fields we are taking. So we'll be -- we are acutely conscious of this, and this will be our focus area. I mean, we are not losing sight of that.

Vishal Periwal:

Sir, just one clarification. You said 1,040 is the employee spend and the same number for last year was how much, sir? I missed on that?

Pradeep Gaur:

1,221.

Vishal Periwal:

Okay. 1,221 is the current strength. Last year, it was 1,040.

M.P. Singh:

It was other way around.

Pradeep Gaur:

It is the reverse of that. Last year was 1,221 and this year -- I mean, let me say, let me put the dates to it. 31.3.24 it was 1,221 and 31.3.25 is 1,042.

Vishal Periwal:

Okay, it has gone down. And these are permanent employees that we have with us?

Pradeep Gaur:

Let me tell you one more thing. 4 years back, it used to be 2,225.

Vishal Periwal:

Sure, sir. I have come back in the queue, sir.

Moderator:

Thank you. Next question is from the line of Rajesh Agarwal from Moneyore Capital. Please go ahead.

Rajesh Agarwal:

Sir, whenever the Vande sleeper train also comes in, we'll bid for that also?

Pradeep Gaur:

Sorry, which one?

- Rajesh Agarwal:** Vande sleeper train?
- Pradeep Gaur:** We are already manufacturing sleeper trains.
- M.P. Singh:** These are sleeper trains only.
- Pradeep Gaur:** Sleeper trains -- and definitely, we'll bid for that. What we are manufacturing is also sleeper trains.
- Rajesh Agarwal:** Okay, understood. Okay my question is through. I am through the questions.
- Moderator:** Thank you. Next follow-up question is from the line of Ranodeep S from MAS Financial. Please go ahead.
- Ranodeep S:** Sir, anything you would like to share on the IMEEEC, those are a huge project that Government of India was envisioning. Any development, any talks that we've initiated in that regard?
- Pradeep Gaur:** Which project you are talking about IMEEEC? International corridor.
- Ranodeep S:** Yes. So the IMEC corridor that Government of India was supporting.
- M.P. Singh:** Middle East, Europe...
- Ranodeep S:** Middle East correct.
- Pradeep Gaur:** We'll see how things evolve. As of now, I think geopolitical situation is so fluid. A lot of countries are, I mean, struck up with their own issues. I hope if things move, definitely, any opportunity comes, we are for it.
- M.P. Singh:** Some of the UAE projects, they are the components projects of the IMEEEC corridor only. So we are already trying for those projects in Middle East, be it Oman or Abu Dhabi.
- Ranodeep S:** Sir, my next question was there was a big opportunity in the RRTS space, the rapid system. So any development in that regard?
- Pradeep Gaur:** Yes, whatever opportunities will be there, we will bid for it. RRTS will continue to be our core this thing. It is our core strength, the train operations.
- M.P. Singh:** RRTS is regional rail transport system like NCRTC.
- Pradeep Gaur:** That we will be -- this thing. We'll be bidding for that definitely.
- M.P. Singh:** In fact, RRTS is like any metro systems only. So we are already having metro system construction in 7 cities. So wherever RRTS construction opportunities comes, we'll be certainly bidding for it.
- Pradeep Gaur:** Any rail-based tender, I mean, works, definitely, RVNL will be -- I mean we'll be bidding for it and we'll be having a good this thing to work also.

Ranodeep S: All right, sir. Thank you.

Moderator: Thank you. As there are no further questions, we conclude today's conference call. On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

Pradeep Gaur: Thank you.