

## RITES Ltd.



|               |        |
|---------------|--------|
| <b>Nifty</b>  | 12,282 |
| <b>Sensex</b> | 41,627 |

### Proxy for Rail Infra: Asset light business model progressing smoothly

**BITES Ltd (BITES)** is a wholly owned Government Company, a Miniratna (Category - I) Schedule 'A' Public Sector Enterprise engaged in the transport consultancy and engineering projects across infrastructure verticals providing diversified solutions. Company undertakes consultancy project from concept to commissioning for efficient and economic implementation of the projects. Company provides services like Leasing of locomotives, Exports of Locomotives & Coaches followed by Turnkey Solutions and Power Management for Indian Railways. Using nominated orders from the ministry of rails, over the past nine years, the company has grown steadily with revenue/net profit CAGR of 13%/15.3% over FY12-19. We believe BITES is a value accretive story for investors focusing on sound management, earnings growth and clean balance-sheet with the Government's USD1.44tn infrastructure expenditure plans for railway, metro, road etc.

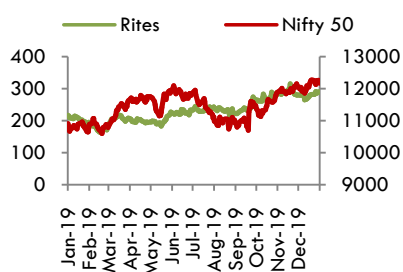
#### Key Stock Data

|                       |         |
|-----------------------|---------|
| Reuters Code          | RITS.NS |
| Bloomberg Code        | RITE.IN |
| CMP                   | ₹300    |
| Market Cap (₹mn)      | 70,050  |
| 52W High/Low          | 325/160 |
| 30-dayAvg Volume (mn) | 68,645  |

#### Shareholding Pattern

|                 |      |
|-----------------|------|
| Promoters       | 87.4 |
| FII & DII       | 4.6  |
| Public & Others | 8.0  |

#### Comparison Chart



### Order-book suggest all round growth across segments

BITES Ltd has the experience of timely execution. The company get several assignments on nomination/ single tender basis from various government ministries, organizations and departments including the Indian Railways. We believe with significant emphasis by the government on improving Railway Infrastructure, BITES's comprehensive services, asset light model stands best to benefit out of it. The current order book standing at ₹58.33bn with estimated order book for FY20 likely to be at ~₹80bn as per the management, provides decent revenue visibility led by Exports (113.7% CAGR FY19-21E), Leasing (32.5% CAGR FY19-21E) and Turnkey (21.7% CAGR FY19-21E) segment while consultancy will continue grow at albeit at slower rate (18.5% CAGR). We therefore estimate 33.3% revenue CAGR over FY19-21E and expect the company to clock a revenue of ₹34.9bn by FY21E.

### Consultancy segment to weigh on EBIT margin

BITES in its key segment of consulting is witnessing competitive pressure especially from Foreign and Domestic private players. We believe while domestic consulting segment is likely to witness pressure in FY20, company's focus on export and overseas consultancy should arrest the fall in margin. EPC business is likely to see strong growth with margin to be in 3-3.5% while leasing business should contribute positively. We therefore expect EBIT margins to remain in the band of 15-20% till FY21E.

| Valuation (x) | FY19A | FY20E | FY21E |
|---------------|-------|-------|-------|
| P/E           | 16.9  | 12.8  | 11.8  |
| EV/EBITDA     | 12.5  | 9.9   | 8.2   |
| RoANW (%)     | 19.4  | 21.7  | 19.1  |
| RoACE(%)      | 14.5  | 16.0  | 15.0  |

### Asset Light business model, healthy FCF generation and lucrative return ratios

BITES being a consulting firm has an asset light model. Turnkey business is further sub-contracted leading to low asset requirement. Company over the years has generated healthy Free cash-flow and we believe it will continue to do so. While any significant changes in working capital can affect FCFF generation it may also impact return ratios. However, management's guidance suffices a prudent approach hence we expect RoCE and RoNW in the range of 15-20% till FY21E.

#### Jayakanth Kasthuri

Tel: +91-22-4019 2914

[jayakanthk@way2wealth.com](mailto:jayakanthk@way2wealth.com)

### Valuations & View

BITES Ltd offers comprehensive services and is our pick to bet on initiatives to improve India's railway infrastructure. We believe with company's asset light approach, focus on maintaining higher margin and strong emphasis on cash-flow generation with strong return ratios makes it a compelling story for investors. The current order book of ₹58.33bn provides decent growth visibility going ahead. We therefore expect Revenue/EBITDA/PAT to grow at 33.3%/9.6%/19.7% over FY19-FY21E. **We initiate coverage with a BUY rating on the stock and assigned 15x on FY21E EPS at a target price of ₹382 per share an upside of 27% from current levels.**

| Summary Financials(₹mn) | FY18   | FY19   | FY20E  | FY21E  |
|-------------------------|--------|--------|--------|--------|
| Revenue from Operations | 14,339 | 19,960 | 26,809 | 34,985 |
| EBITDA                  | 3,651  | 5,167  | 5,710  | 6,210  |
| EBIT                    | 3,350  | 4,846  | 5,281  | 5,645  |
| Net Profit              | 3,317  | 4,447  | 5,877  | 6,369  |
| EPS                     | 13.3   | 17.8   | 23.5   | 25.5   |
| EBITDA Margin (%)       | 25.5   | 26.2   | 21.3   | 17.8   |

## Investment reasoning stems from reality and optimism

India has witnessed and is likely to see significant improvement in rail & road infrastructure compared to the first term of the Modi government. Over the tenure of Modi 2.0, we expect an even greater thrust on infrastructure spend (BJP manifesto & NITI Aayog Vision – 2022), and railways are expected to emerge as a big beneficiary of this spend. RITES with a proven track record and 44 years of rich experience is a proxy for the Indian Railways infrastructure push

- RITES is expected to be a significant beneficiary of the Indian Railways' infrastructure push. Indian Railways capital outlay is expected to grow by 40% in next 5 years and we believe that RITES is well positioned for this opportunity.
- Opportunities within railways (being 50% of revenue share) being captured by RITES by venturing into turnkey projects and railway station development and thus increasing scale of operation.
- Under the 'Make in India' program, Indian railways has improved export relations with SAARC, ASEAN, Africa, Latin America & Middle East regions. Being the only export arm of the Indian Railways (except Malaysia, Indonesia & Thailand), RITES is well positioned to make the most of this upcoming export opportunity.
- RITES is diversifying to milk opportunities in roads, ports & airports. Sagarmala and Bharatmala provide similar opportunities in terms of size and scale which are comparable to that offered by the Indian Railways.
- With transport infrastructure sector expected to grow 5.9% CAGR by 2021 supported by ₹5.5tn allocation in budget 2019-20 and most of the infrastructure companies have over-leveraged balance sheets and are struggling to generate positive cash flows, RITES being into infra consulting business (₹550bn market) with diversified services and geographical reach is virtually debt free, has maintained a strong cash flow on the back of consistency in order execution enabling cash-rich balance sheet. This is expected to support the company while bidding for non-railway infrastructure projects like roads, ports, airports, etc.
- RITES reported a net cash balance of ₹10.32bn which forms 22% of the total assets, making it a cash-rich company. We believe that such a huge cash pile may be utilized for acquisition, buyback or returned to the shareholders in the form of a dividend.

## Company Genesis

RITES Ltd. is a Government of India Enterprise, established in 1974, under the aegis of Indian Railways. RITES Ltd is incorporated in India as a Public Limited Company under the Companies Act, 1956 and is governed by a Board of Directors which includes professionals from various sectors of engineering and management.

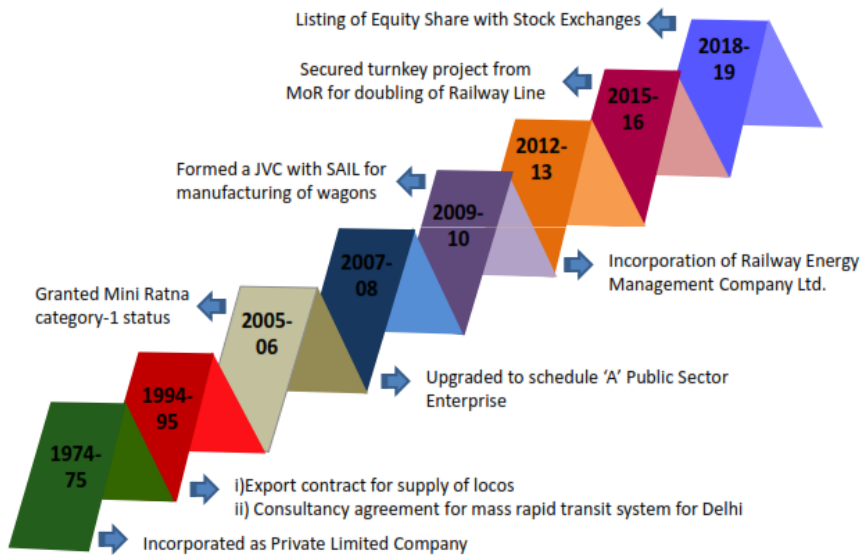
RITES Ltd is a leading player in the transport consultancy and engineering sector in India and the only company possessing diversified services and geographical reach in this field is a wholly owned Government Company, a Miniratna (Category - I) Schedule 'A' Public Sector Enterprise.

Company provides a comprehensive array of services under a single roof and believes in transfer of technology to client organizations. In overseas projects, RITES actively pursues and develops co-operative links with local consultants / firms, as means of maximum utilization of local resources and as an effective instrument of sharing its expertise. Along with significant presence in transport infrastructure in railway sector, the company also provides consultancy services across various infrastructure and energy sectors including urban transport, roads and highways, ports, inland waterways, airports, institutional buildings, ropeways, power procurement and renewable energy.

RITES Ltd has an experience of over four decades and has undertaken projects in over 55 countries including Asia, Latin America, Africa, South America, and Middle East regions. Additionally, the company is the only export arm of Indian Railway for providing rolling stock overseas.

Company's equity shares were listed on BSE and NSE on 02 July 2018. The issue was subscribed 67x wherein Government of India divested 12.6% stake while it continues to hold 87.4% stake in company. The offer price of the issue was ₹185/- per share (Retail investors and employees were given a discount of ₹6/- per share.)

## RITES Journey



Source: Company, Way2Wealth Research

## Key Service Offerings

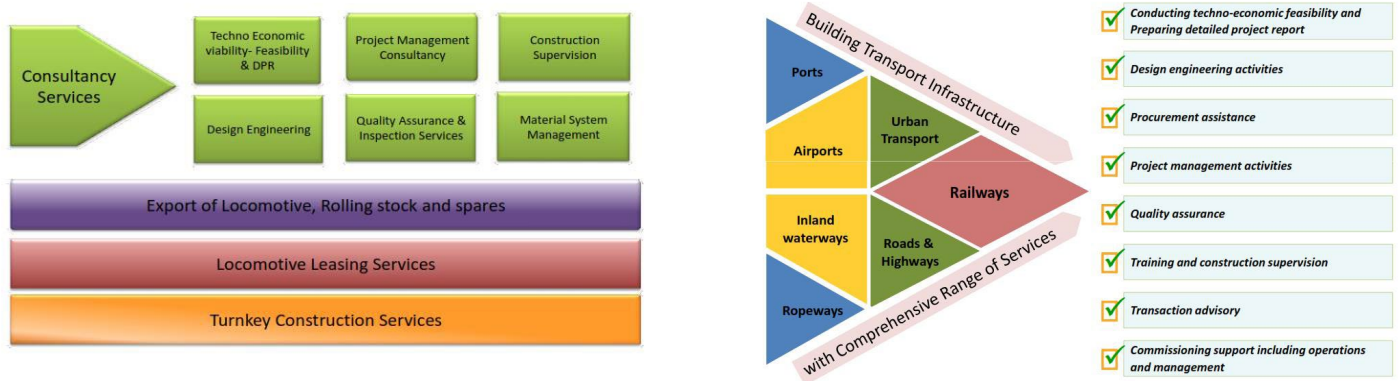
RITES is one of the leading transport infrastructure consulting companies in Public Sector in the Country has been playing a pivotal role in the development of transport and infrastructure sectors viz, Railways, Highways, Ports, Airports, Waterways, Ropeways, Urban Transport, Urban Engineering, Container Depots, Institutional Buildings and Railway Electrification etc. RITES over the years have diversified into providing multidisciplinary services from concept to commissioning for efficient and economic implementation of the projects.

The Company continues to provide specialized, integrated services under single roof in transportation infrastructure sector and export packages for supply of locomotives, coaches, wagons, spare parts and modernization of workshops. The Company has expanded its reach through its subsidiaries and JV Companies by venturing into the business of wagon manufacturing and is also developing potential business avenues in the field of power sector including Green Energy etc.

In recognition of company's consistent performance and achievement of stipulated targets as negotiated in terms of the Memorandum of Understanding entered into with the Ministry of Railways on an annual basis, the Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises, Government of India has rated company 'Excellent' with a score of 90.09 for the FY17. Company is also been rated consistently as "Excellent" in the previous five financial years (i.e. from FY12 to FY16).



**Key Service offerings**



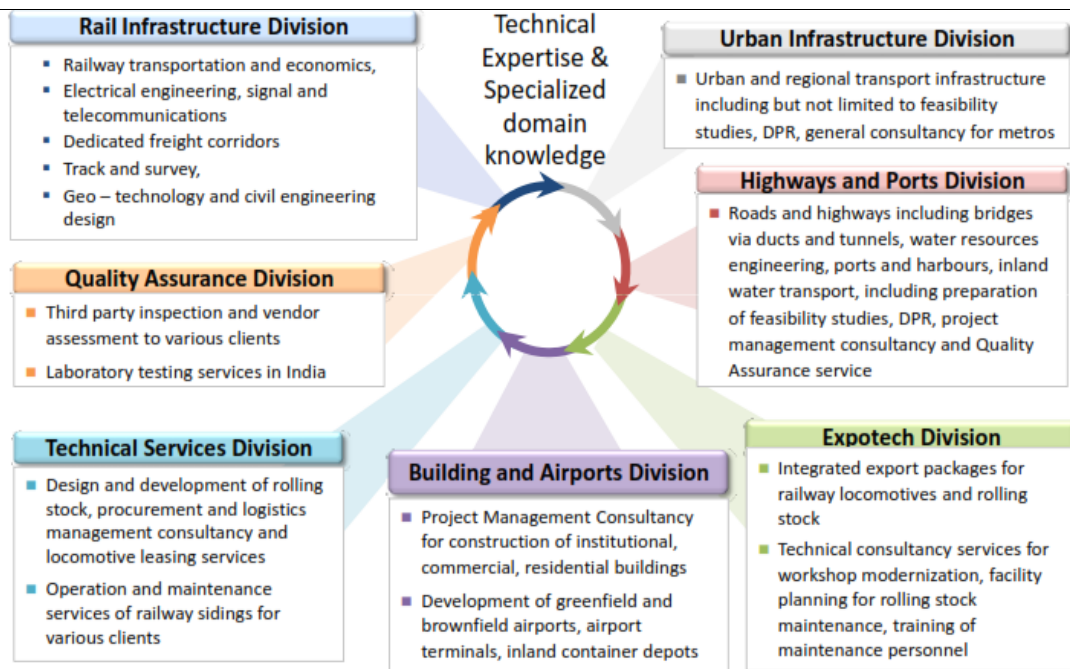
Source: Company, Way2Wealth Research

**Business Expertise**

The Company has evolved from origins of providing transport infrastructure consultancy and quality assurance services and has developed expertise in:

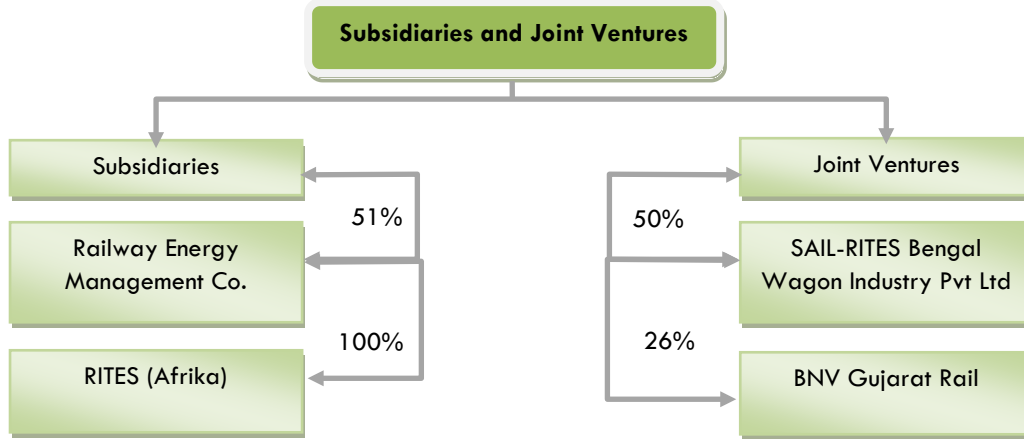
- Design, engineering and consultancy services in transport infrastructure sector with focus on railways, urban transport, roads and highways, ports, inland waterways, airports and ropeways.
- Leasing, export, maintenance and rehabilitation of locomotives and rolling stock.
- Undertaking turnkey projects on engineering, procurement and construction basis for railway line, track doubling, 3rd line, railway electrification, up-gradation works for railway transport systems and workshops, railway stations, and construction of institutional/ residential/ commercial buildings, both with or without equity participation
- Wagon manufacturing, renewable energy generation and power procurement for Indian Railways through collaborations by way of joint venture arrangements, subsidiaries or consortium arrangements.

**Business Division**



Source: Company, Way2Wealth Research

**Subsidiaries & Joint Ventures**



**Railway Energy Management Company**



Railway Energy Management Company was incorporated on 16<sup>th</sup> August 2013 to carry out business relating to:

- Augmenting capacity in all activities relating to energy efficiency and power generation;
- Undertaking any kind of projects for power generation in the field of renewable energy resources,
- Sale of power generated.

It has commissioned a wind power project of capacity 26 MW and has also concluded power procurement contracts for approximately 1,175 MW across various states in India.

National High-speed Rail Corporation limited has mandated REMCL to undertake techno-economic viability studies and related surveys of power sourcing arrangements.

**SAIL-BITES Bengal Wagon Industry Pvt. Ltd.**



SAIL-BITES Bengal Wagon Industry Pvt. Ltd. was incorporated on 13<sup>th</sup> December 2010 involved in the business of:

- Trading, selling, import, export, manufacturing of railway wagons including high end specialized wagons, wagon prototypes, fabricated components/parts of railway vehicles.
- Its ancillary units including to repair, manufacturing items of locomotives, machineries, equipments and other related components.

## Difference between IRCON International and BITES

The Ministry of Railways (MoR) has distributed the jurisdiction of work between BITES and IRCON International Limited (a peer group PSU under the MoR).

- In the long-term interest of both the PSUs, IRCON is not permitted to make any bid for export of rolling stock and components manufactured by the Indian Railways to countries other than Malaysia, Indonesia and Thailand.
- BITES is permitted to participate in EPC or Built Operate and Transfer contracts, other than railway contracts, where there is no conflict of interest with any other PSU under the MoR and to carry out all consultancy, operations and management, conduct survey, installation and commissioning of all types of rolling stock, feasibility studies, DPR, design, detailed engineering, tender evaluation, inspection and training.
- Further, BITES is permitted to bid for railway rehabilitation projects in Malaysia, Indonesia and Thailand subject to a monetary limit set by the Indian Railways. There can be no assurance that such division of territory by the MoR will not be withdrawn or altered.
- As per the Presidential directive dated 26 May 2008 wherein such division of jurisdiction was laid down by the MoR also states that, if for any reason, BITES or IRCON is not interested in participating in a particular bid/tender (wherein conflict of interest is involved), which falls in its domain, then the other PSU may participate in that bid /tender subject to the condition that the right of first refusal for each case will be with the PSU in whose domain that particular work falls.

### The regulator is Railway board, Ministry of Railways

The Ministry of Railways oversees the Indian railway sector through the Railway Board, MoR (RB). The MoR (RB) is organized as per commercial principles, with an empowered Chairman of the Board. The MoR (RB) exercises more central government policy powers and administers, supervises, and directs the entities that provide most of the rail services. The MoR (RB) also fulfills most industry regulatory roles, except for safety oversight and railway rates appeals.

The railway infrastructure and services are delivered by 16 geographically based Zonal Railways (ZRs). Each ZR has separate responsibilities and operates its own livery, although the MoR (RB) has the powers to lay down rules and regulations for the governance of the ZRs and to establish, merge, or abolish these ZRs.

## DIVISION & SERVICE OFFERINGS

### AIRPORTS

BITES offers specialized consultancy services in the area of design, planning and construction management of airports. Services provided include:

- Master planning, site selection and obstruction surveys;
- Air traffic surveys, demand assessment and forecasting;
- Project feasibility studies & environment impact assessment studies;
- Design and construction management of airport pavements, hangars, workshop buildings and control towers

### ARCHITECTURE & PLANNING

BITES offers design consultancy for institutional and office complexes, group housing, educational campuses, transport terminals, hospitals, workshops, industrial buildings, recreation centre and convention centre.

## 1. Architecture

- Program and Space Planning
- Site search and selection
- Pre-design studies and master plan
- **Architectural designs for:**
  - Institutional & office complex
  - Group housing for various income groups; multi-storied & low-cost housing
  - Educational campuses
  - Airports, ports, railway stations including freight complex.
  - Hospitals & Buildings
  - Workshops & industrial buildings
  - Museums
  - Recreation centre including stadium, swimming pool and sports complex
  - Convention Centre

## 2. Landscape Design

- Study of ground profile and vegetation
- Preservation of important natural elements as rocks, water bodies and trees
- Study of contoured terrain to achieve compatibility between the land mass and building form.
- Integration of water bodies, hard and soft landscaping

## 3. Planning

- Comprehensive development plans including zonal plans, sector plans and layouts for various urban and suburban agglomerates.
- Site development and related infrastructure facilities, covering circulation networks, networks of public utilities as water supply, sewerage, storm water, drainage, electrical and location of collection / disposal systems.
- Pre-design study, study of building form, volumes and architectural controls, landscape, street furniture and signage controls within urban/suburban agglomerates, but excluding design of services.

## 4. Feasibility Studies

- Feasibility studies for setting up self-contained mega housing projects, tourist resorts, amusement parks, exhibition complex, convention centre.
- Conceptual design proposals
- Preliminary cost estimates and funding proposals.
- Periodic supervision, completion reports

## 5. Major Projects

1. **Design consultancy for Kashmir rail link project**—Laale to Qazigund section.  
**Client:** IRCON and Northern Railway.  
**Location:** Jammu & Kashmir
2. **Design consultancy for Udampur – Srinagar – Baramulla rail link project** –Katra–Daram section.  
**Client:** Konkan Railway Corporation Ltd.  
**Location:** Jammu & Kashmir



## BRIDGE & TUNNEL ENGINEERING

RITES is engaged in concept to commissioning of existing rail, road and rail cum road bridges across major rivers and gorges, rail over bridges, rail under bridges including viaduct and rail & road tunnels.

The major activities undertaken are – assessment of project need, siting of location including remote sensing study and land use, topography survey, hydraulic design parameters, hydraulic model studies for design of protection and river training works, geological / geotechnical investigations, preliminary / detailed structural design and proof checking including project scheduling, construction planning, tendering along with designers/ construction supervision.

This unit is handled by a multi-disciplinary group of transport planners, surveyors, geologists, geo-technical, traffic experts, hydrologists, bridge & structural engineers, quantity surveyors, economists and construction management.

### Services

1. Pre-feasibility
2. Techno-economic feasibility study
3. Detailed engineering studies
4. Detailed project report
5. Detailed design including construction drawings and proof checking
6. Tendering and designers/construction supervision

### Major projects

- **Pre-construction studies including detailed design for rail cum road bridge (4.9 km long) across river Brahmaputra near Dibrugarh, Assam for Indian Railway**  
**Client:** Indian Railways  
**Location:** Assam, India
- **Comprehensive consultancy services for bridge design** between km 120-142 and km 152-168 of Laole-Quazikund section of Udhampur-Srinagar – Baramulla new BG rail line project of Northern Railway.  
**Client:** IRCON International.  
**Location:** J&K, India.
- **Feasibility study of 6-Lane Road bridge (1.8 km long) over Brahmaputra at Guwahati.**  
**Client:** Guwahati Development Department.  
**Location:** Assam, India.

## CONSTRUCTION PROJECT MANAGEMENT

RITES CP division renders consultancy and project management services for institutional buildings / universities / colleges, infrastructural projects, residential buildings/colonies, hospitals, office complexes, inland container depots, bus terminals, quality assurance & third-party inspection.

### Services

#### 1. Project Management Consultancy –

- Conceptual and architectural planning & detailed engineering
- Geotechnical investigation/quantity surveying / estimates
- Contract management
- Project planning, scheduling & controlling
- Tendering and appointing working agencies
- Construction supervision, Quality control
- Measurement and certification of bills
- Post construction activities like closure of contracts, claims & settlement of final bill
- Contract disputes resolution, insurance/warranties validation and financial closure of contracts.

**2. Quality Surveillance/ Third Party Inspection** –Conducting random checks of activities of construction from starting to finishing stage involving:-

- Laboratory as well as field quality control tests.
- Collection of samples of input materials and arranging tests from approved laboratory.
- Reporting to concerned level of officials of clients through daily, fortnightly and monthly QS reports.
- Attending periodical meetings with higher officials of clients to review the quality of the works & preparing minutes of meeting.
- Monitoring action taken on observations by concerned engineers and further submitting the action taken report to top management of client.

**ENVIRONMENTALENGG./URBAN ENGG**

BITES with its team of environmental engineer, scientists and sociologists, takes up developmental projects. BITES also have laboratory facilities for monitoring of air, water, soil and noise parameters.

**Services**

- Water supply, sewerage and drainage network for the infrastructure projects
- Water supply intake structure and treatment plant designs
- Sewerage collection and treatment
- Industrial wastewater collection, treatment and disposal
- Environmental Impact assessment and preparation of management plans
- Environmental appraisal and Audit
- Ecological studies
- Air and noise pollution control
- Environmental policy formulation
- Training
- Socio-economic impact evaluation
- Solid waste management

**Important Projects** – Environmental impact assessment, social assessment study and preparation of environmental management plan for Mumbai mono-rail Location: Maharashtra

**EXPOTECH**

The primary activity of the division is to export rolling stock produced in India to other railway systems overseas. BITES offers integrated export packages, which include maintenance and spare part support, for a wide variety of rolling stock of different gauges. In addition, the division renders technical consultancy services for facility planning, which includes rolling stock maintenance, workshop upgradation, training and technology transfer.

**Services**

- Supply, commissioning and maintenance of locomotives, passenger coaches, DMU trains and freight wagons
- Rehabilitation of locomotives and other stock
- Supply & commissioning of workshop machinery and plant
- Technical assistance for workshop modernization
- Facility planning for rolling stock maintenance
- Training in railway technology
- Rehabilitation of traction machines
- Supply of spare parts for rolling stock

### Major projects - Ongoing

- Supply of 120 broad gauge LHB coaches to Bangladesh railway
- Supply of 18 MG diesel electric locomotives to Myanmar railways, Myanmar.
- Supply of 10 BG 3000 HP diesel electric locomotives to Sri Lanka railways.
- Supply of 6 MG in-service diesel electric locomotives to ICS, Senegal.
- Expert services for maintenance support to CFM Mozambique for diesel electric locomotives
- Supply of spare parts of rolling stock to Sri Lanka, Myanmar, Bangladesh, Mozambique and Senegal.

**Completed** – Supply of 6 BG diesel multiple unit train sets to Sri Lanka railways. by end of Q2FY20.

### GEO-TECHNOLOGY

BITES carries out extensive geo-technological investigations as part of pre-feasibility and DPR studies and also manages and supervises projects involving geotechnical work during pre-construction and construction stages of investigations. BITES renders geo-technology services for rail/road projects; thermal, gas and hydro-electric power projects; tunnels, bridges, cuttings, embankments and other structure; ports & harbours; canals; dams; transmission lines; urban transport; oil exploration studies; oil & gas pipelines and underground storage sites.

#### Services

- Geological mapping;
- Exploratory drilling;
- Geophysical investigations;
- Hydro-logical investigations;
- Slope stabilization;
- Geo-technical study for economical design of slopes in embankments & cuttings, foundations for bridges, buildings, towers, viaducts & other structures; and
- Underground storage sites for LPG and crude oil.

### HIGHWAY ENGINEERING

Highways unit provides various consultancy services for all aspects of roads and highways including expressways, national highways, state highways, rural roads including bridges, viaducts and tunnels covering conceptual and detailed design, construction supervision, operation and maintenance, planning and management of highway networks, improvement and up gradation works and safety audits. The Highways unit has also provided consultancy services in the past to clients in international markets such as Afghanistan, Bangladesh, Botswana, Bhutan, Cameroon, Ethiopia, Ghana, Malaysia, Mozambique, Myanmar, Nepal, Tanzania, Uganda, U.A.E and Zambia and currently providing services in Botswana and Guyana (South America).

### INDUSTRIAL ENGINEERING

The Industrial engineering unit provides consultancy services for carrying out of incentive studies for railway workshops and feasibility study, detailed project report and turnkey execution of railway workshops.

#### Services

- Carrying out of incentive studies for railway workshops
- Carrying out of Feasibility Studies
- Preparation of detailed project reports, and
- Turnkey execution of railway workshop projects

## MATERIAL SYSTEM MANGEMENT

This division offers consultancy services for procurement & logistics management and auditing covering all phases of procurement cycle. RITES is one of the pre-identified firms in the international funding agency "Listing of Procurement Agent" for experience in World Bank financed projects and specializes in acting as procurement agent in India & abroad for the projects funded by bilateral & multilateral funding (International Funding Agency) agencies as well as those funded by local Government.

### Core competencies

- In-depth knowledge of procurement policies & procedures of Government of India as well as those of bilateral/multilateral funding agencies for procurement of goods works and services.
- In-depth knowledge of procurement policies & procedures of Railways and DGS&D for procurement of goods and services including international procurement and related issues.

## RAILWAY EQUIPMENT SERVICES

RES / RITES provides services for operation & maintenance of diesel locomotives, wagons, railway track; rehabilitation of railway assets and studies pertaining to operation & maintenance. RITES owns some locomotives, which are sub-let on a wet lease.

### Services

**Complete operation, maintenance & management of in-plant railway systems.**

- Leasing of locomotives - RITES provides WDS-6 Diesel locomotives for non-railway customers in domestic market on wet lease basis, offering following advantages:
- No capital investment on locomotives for client
- Operation & Maintenance, which will be the responsibility of RITES
- Diesel loco spares and coordinating with Railway workshop/ diesel shed for higher schedule maintenance
- Assured minimum 85 % uptime/availability of the locomotive
- Client can focus on the core activity of production (power/cement/steel)
- Train operation in yards.
- Diesel locomotive & wagon maintenance.
- Major schedule of diesel locomotives.
- POH & Major Schedule of Wagons.
- Modification of Locomotives & Wagons.
- Track Maintenance & Rehabilitation.

## PORTS & WATER RESOURCES

Ports and Water Resources unit provides various consultancy services for ports and harbours, water resources engineering and inland water transport. This unit has provided consultancy services in the past to clients in international markets such as Sri Lanka, Myanmar, Nepal and currently providing services in Mauritius.

### Services – Ports & Harbours

- Harbour Planning
- Dredging and Reclamation
- Navigational Systems
- Breakwaters
- Berthing Structures
- Dry Docks
- Material Handling Systems
- Cargo Storage Systems
- Utilities

### Services: Water Resources

- Waterway Development
- River Engineering
- Navigation Locks and Canal Structures
- Irrigation Canal Network
- Water Supply Intake Structures
- River Terminals
- Reservoir Sedimentation
- Advise on vessels
- Hydrographic Surveys and Field Investigations
- Techno Economic Feasibility and Detailed Project Reports
- Detailed Engineering
- Project Management

## Privatisation & Concessions

### Business Profile

- Privatisation & Concessions was set up in April 1999 to capture the privatisation of transport infrastructure projects in India and abroad and to provide infrastructure advisory services for PPP project.
- BITES is among the 11 shortlisted consultant empanelled by Ministry of Finance for providing advisory on PPP project.
- Provide complete service spectrum from project conceptualisation to financial closure

### Services

- **Advisory Services**
  - Advisory Services for arranging Public Private Partnership (PPP) in Infrastructure Projects
  - Feasibility Study Reports (FSRs) / Project Structuring Studies for PPP
  - Bid Process Management
  - Services of Independent Engineer / Proof Consultants
  - Services related to Railway concessioning projects undertaken by BITES
- Technical Assistance
- Rehabilitation of Infrastructure
- Leasing / Selling of Locos & Rolling Stock
- Rehabilitation & Maintenance of Locomotives & Rolling Stock

## Quality Assurance

BITES provides quality, quantity and specifications of plant, equipment and bought out materials. The division specializes in the areas of ultrasonic, magnetic and dye-penetrant testing, radiography, high voltage testing, metrology and metallurgical investigations. This division provides consultancy services to the industry for development and implementation of quality improvement strategies based on TQM approach and has qualified lead assessors in international quality assurance system ISO 9000.



## Experience

- Standing authorised inspection agency for Indian Railways – In addition to pre-despatch inspection within India, inspection carried out in USA, Canada, Germany, China on behalf of Indian railways & private/public sectors.
- Vendor assessment services – On behalf of Indian Railways, other Central/State Govt. Bodies in India & abroad in countries like USA.
- Quality assurance services activities – Foreign railway systems in Sri Lanka, Bangladesh, Vietnam, Iraq and Botswana,
- Third Party Inspection of hi-tech products like power transmission and distribution systems, heat exchangers, heavy pressure vessels, alloy steel forgings and electronic equipments on behalf of prestigious clients including Port Trusts, NTPC and State Public Health Engineering Departments.

## Accredited Laboratory

### BITES has laboratory accredited to NABL with testing facilities including:

- Mechanical Testing (Ferrous & Non-ferrous Products)
- Metallurgical Testing (Ferrous & Non-ferrous Products)
- Non-Destructive Testing
- Rubber & Plastic
- Oil Grease & Lubricant
- Paint & Varnish. vii. Textile & Leather Products

## Railways

BITES undertakes investigations and feasibility studies, integrated design services, institutional management and technical support for new railway projects and rehabilitation and modernization of existing railways systems.

## Services

- Comprehensive rail transport consultancy
- Design for bulk solids and liquids handling
- Design/sizing of rolling stock
- Solution to special transport problems like over dimensional consignments
- Assistance in repairs to rolling stock
- Traffic analysis, site selection, pre-feasibility, DPR, detailed engineering & commissioning
- Design for track hoppers, decantation systems, conveyors, bagging plants
- Design for automatic loaders, pumping stations, storage tanks & pipeline systems
- Design of hopper wagons, container flat wagons, high capacity wagons
- Design for shunting & flame proof locos
- Movement survey for rail and road and obtaining permission for movement
- Modifications to wagon design
- Problem evaluation & selection of agencies for rolling stock repair
- Quality assurance services and testing of rolling stock
- Modelling & optimisation through finite element method & analysis

## Some of Major Projects Undertaken

1. Consultancy services for dedicated multi-modal high axle load freight corridor for Mumbai-Delhi, Delhi-Howrah.  
**Client Name:** Indian Railways, Location: Indian
2. Engineering Consultancy Services for Katra-Quazikund, Udampur- Srinagar-Baramulla new BG rail line at Jammu & Kashmir.  
**Client Name:** IRCON International Ltd., Location: J&K, India
3. Design and Construction management services for bridge and track design.  
**Client Name:** Railways, Location: Malaysia

## Railway Electrification

**RITES renders specialized consultancy services for design, execution and project management services covering entire spectrum of Railway electrification covering following broad areas:**

- Detailed survey of the Railway section for the purpose of Railway Electrification.
- Feasibility Study for Railway Electrification of Railway Track
- Detail Project Report and Tender Documents for the Railway Electrification of Railway Track.
- Technical services for tender evaluation or furnishing technical clarifications as desired by client.
- Project Management Consultancy for construction supervision of Railway Electrification project
- Detailed design of Overhead contact system and traction power supply for Railway Electrification.
- Turnkey execution of Railway electrification projects (On Deposit work basis)

### Services Offered

- A. Detail Project Report, Tender Document and Project Management Consultancy services
- B. Project Management Consultancy services (PMC)
- C. Turn Key projects
- D. Design Consultancy
- E. Preliminary traffic cum Engineering Survey (PET)

### Important Projects (Domestic-Completed)

- A. Detailed Survey**– RITES carried our Detailed survey and preparation of OHE pegging plan for the Railway Electrification of 15000 TKM existing Railway Track. Client: Indian Railways. Location: All over India
- B. Detail Project Report, Tender Document** – Survey, preparation of Detail Project Report and Tender Document for Railway Electrification - of 83 Track kilometers of Railway siding including construction of 4 Nos. of Switching posts. Client: Steel authority of India Limited Location: Rourkela
- C. Detail Project Report, Tender Document and Project Management Consultancy services**-
  - a. Survey, preparation of Detail Project report, Tender Document and Project Management Consultancy for Railway Electrification of 95 Track Kilometres of Railway siding.  
Client: M/s L&T and Grasim Location: Grasim and Hirni.
  - b. Preparation of DPR, Tender Document and Project Management Consultancy for Railway Electrification of 19 Track kilometres of Railway siding.  
Client: National Thermal Power Corporation Location: Dadri
  - c. Survey, preparation of Detail Project Report, Tender Document and Project Management Consultancy for Railway Electrification of 12 Track Kilometres doubling of existing Railway siding.  
Client: National Thermal Power Corporation Location: Dadri
- D. Preliminary traffic cum Engineering Survey** – Preliminary traffic cum Engineering Survey for the construction of 3247 KMS Dedicated Railway Freight corridors that includes 2X25 KV Railway Electrification. The study was carried out in 2 nos. corridors (1) Eastern Corridor 1232 KMS (Ludhiana to Sonnagar), 522KMS (Sonnagar-Dankuni) (2) Western Corridor 1493 KMS (Dadri-JNPT)  
**Client:** Dedicated Freight Corridor of India Limited  
**Location:** Ludhiana to Dankuni: Dadri to JNPT.

### Important Projects (Overseas-Completed)

#### A. Feasibility Study

1. Feasibility study for laying 1317 KM new Railway track including 25 KV Railway Electrification from Mechi-Mahakali and Kathmandu-Pokhara in Nepal.  
**Client:** Ministry of Physical planning of work. Location: Kathmandu, Nepal
2. Feasibility study for laying 650 KM new Railway track including 25 KV Railway Electrification from Mekeile to Tadjourah in Ethiopia.  
**Client:** Ethiopian Railway Corporation. Location: Mekeile to Tadjourah

- B. Detail Project report** - Preparation of Detailed project Report for laying 216 KMs new Railway track including 25 KV Railway Electrification from Assaita to Tadjourah in Ethiopia.  
**Client:** Ethiopian Railway Corporation.  
**Location:** Assaita to Tadjourah

### Rolling Stock Design

This division of RITES specializes mainly in design of railway rolling stock. The main activities include:

1. Solid modeling, Finite Element Analysis and Preparation of design drawings
2. Rolling stock procurement
3. Project management studies
4. Marketing of designs of a variety of wagons.
5. Crash simulation & occupant protection of passenger cars & Locomotive
6. Projects on Turnkey basis

#### Resources

Railway Rolling-Stock Design Specialists Multi-skilled, highly qualified and experienced design team comprising of:

- Personnel with extensive experience in research, design development, testing,
- maintenance & overhaul of freight wagons, passenger cars and other railway rolling stock
- Experienced design drafting personnel
- Trained engineers with post-graduate qualification in engineering, well-versed with computer modeling and analysis.
- State-of-the-art Engineering Modeling & Analyses Software:
- **Solid Modeling & FEM Packages :**
  - Siemens NX (UNIGRAPHICS)
  - SolidWorks
  - Hyperworks
- **Crash Simulation & Vehicle Dynamics simulation:**
  - SolidWorks simulation
  - HyperWorks
  - LS-Dyna
  - ADAMS-Rail

#### Services

- Design of New Rolling Stock
- Modification of Existing Rolling Stock Design
- Preparation of 3-D Solid Modeling
- Finite Element Modeling & Analysis
- Design & Development of Wagons for Over Dimensional Consignment (ODC)
- Marketing of designs of variety of wagons
- Crash Simulation & Vehicle Dynamics
- Projects on turnkey basis
- Preparation of DPRs

## Rail Infrastructure

### 1. Track & Surveys

RITES provides comprehensive consultancy services in the field of planning of Railway Projects pertaining to New Railway lines, Doubling, Gauge Conversion, Railway Siding etc. For this purpose engineering surveys and alignment design is carried out through state of the art equipment and facilities like Real Time Differential Global Positioning System (RT-DGPS), Robotic Total Station, Digital levels, computers.

#### Services

- Reconnaissance survey for route selection and alternative alignments.
- Alignment design, preliminary engineering survey and final location survey by terrestrial and geo-positioning methods with or without using satellite imagery/ photogrammetry.
- Cost estimation, project engineering and preparation of Detailed Project Reports.

### 2. Transportation & Economics

Transportation & Economics Division has expertise in transportation system design, management/ planning and transport economics. This enables it to carry out studies for integrated transportation systems, logistics management, inter-modal planning, and traffic engineering analysis. These apply to all modes of transportation, viz., railways, highways, ports, waterways etc. In addition, having played a leading role in the development of container trade infrastructure in India, the division possess complete know how on containerized multi modal transport.

#### Services

- Techno economic studies
- Cost effective transport options including intermodal logistics
- Total transport system study at micro/macro level
- Comprehensive and integrated rail transport consultancy involving: Total transport solution for industrial units integrating transportation and materials handling system.
- Traffic demand analysis
- Forecasting and modal split determination
- Site selection
- Pre-feasibility
- Detailed project report of rail infrastructure projects.
- Design of rail infrastructure
- Optimising existing rail operations
- Logistics Management Study

## Ropeways

The Ropeways unit provides comprehensive services including Design, Engineering and Consultancy services for Passenger and Material Aerial Ropeways and Funicular Railway Projects including various support services from the concept stage to the commissioning of such projects.

#### Services

Carrying out of Feasibility Studies. Preparation of Detailed Project Reports, and Project Management Consultancy services

## Signal & Telecom

RITES has a team to provide appropriate and cost-effective solutions to wide ranging signaling and telecommunication requirements of user agencies in Railway and non-railway sectors.

### Services

- Field survey and collection of Data
- Feasibility studies
- System planning and design
- System specifications
- Detailed engineering
- Project Management
- Tender documentation
- Bid invitation and evaluation
- Contract negotiations
- Project preparation and planning
- Installation and supervision
- Acceptance testing and commissioning
- Maintenance methodology
- Training of client's personnel

## Surveys

RITES conducts surveys for railways, highways, airports, ports & harbours, pipelines, transmission lines and ropeways.

### Services

- Topographic surveys with / without satellite imageries, photogrammetric interpretation and interpolation of contours with stereoscopes and Wild Rap II Avios Plotter.
- Reconnaissance survey for route selection, alternative alignments, abstract cost estimates and feasibility report.
- Preliminary engineering survey using conventional tachometry, with the aid of aerial photographs, optimization of alignment on photogrammetric machines, site verification and computer aided mapping.
- Location survey using EDMs, total stations, computerized data processing, mapping, staking of alignment on ground.

## Urban Transport

- To provide premier technical consultancy services towards the development of infrastructure in urban transport, RITES has an elaborate organizational framework. This arrangement is symbolized by the Urban Infrastructure Division of RITES, popularly known as UI-Division.
- UI-Division of RITES provides comprehensive consultancy services in all aspects of urban Infrastructure and urban transport including conceptual and prefeasibility study, Detail Project Report, Planning of integrated multi-mode transit network; Detail design and engineering , Construction supervision & project management, operation and maintenance of Public Transit Systems, Proof checking & independent quality monitoring for metro rail projects, strategic planning for improvement/upgrading of transport system. The systems include high, medium and light capacity mass rapid rail transit (RRT) and bus rapid transit (BRT) systems.

### Pioneering in Urban Infrastructure & Transport

RITES is the first Indian consultant, which provided technical consultancy services for India's first mass transit project of Delhi metro rail from concept to commissioning.



## Capability & Resources

BITES has full capability to develop technically feasible, cost effective solutions for Urban Infrastructure and Urban Transport systems appropriate to local needs. Urban Infrastructure Division has more than 200 professionals drawn from all the disciplines namely Civil Engineering, Electrical Engineering, Signalling & Telecommunication, Automatic Fare collection, Transport Planning, Traffic Engineering, Transit System Planners, Engineering Design Experts, Construction Experts, Transport Economist, Financial Analyst etc. supported with highly skilled staff. Advance software for transport demand forecasting, alignment design and structural design are available.

## Services

- Diagnosis of Intra-urban transit problems.
- Developing short range, medium range and long range solutions for efficient intra-urban transit.
- Conceptual & Pre-Feasibility Study
- Feasibility and Detail Project report, including Topographical survey, Final location survey, Geotechnical investigation, System selection and Operational planning, Environmental & Social Impact assessment, Implementation planning.
- Traffic & engineering surveys, travel demand forecasting based on local socio-economic conditions & land use planning.
- Detail Design & Engineering, Estimation, Construction Supervision and Quality Assurance Services for Mass Transit Systems - Rail based as well as Bus System.
- Planning, design, construction supervision for Transit stations, terminals, Inter-modal Integration and Facility Planning for Transit Systems.
- Implementation of Urban Transport Projects - Financing, Bid Process Management, Project
- Management Consultancy/ General Consultancy, Interim consultancy, Proof checking & Independent Quality monitoring and Operation & Maintenance for metro rail projects.
- Detail Design Consultancy for Metro Rail Projects, Stations and Depot.
- Detail Project Report & Project Management supervision of Railway Siding Works, Multi-Model logistic park /Logistic Hub, Inland Container Depot, ROB/Rubs etc.
- Third Party Inspection of Civil works for various corporations / Nagarpalika & supervision
- ROB/RUB within railway boundary railway work

## Major Projects

1. Supervision for Implementation of Metro Express Project in Mauritius
2. General Consultancy for Ahmedabad Metro phase I, Nagpur Metro phase I and Delhi Metro phase III
3. Project Management Consultancy services for A grade section of Nagpur Metro.

## Investment Reasoning

### 1. Indian Railways planned capex including Dedicated Freight Corridor and High-speed rail projects

BITES Ltd was incorporated by the Ministry of Railway (MoR) and has the benefit of being associated with the Indian Railways, which is the fourth longest rail network in the world. Company has contributed immensely to the development of transport infrastructure in India for the last 44 years.

BITES with vast history and experience of timely execution has become a flagship company and are able to get several assignments on nomination/ single tender basis from various government ministries, organizations and departments including the Indian Railways because of its ownership by the MoR coupled with company's ability to execute business in compliance with various policies and procedures of governmental departments.

RITES has experience spanning nearly half a century and has undertaken projects in over 55 countries including Asia, Africa, Latin America, South America and Middle East regions. The company is the only export arm of Indian Railways for providing rolling stock overseas (other than Thailand, Malaysia and Indonesia).

Company's comprehensive range of consultancy service offerings, primarily in the transport infrastructure space, in order to address the varied and expanding requirements of its clients across the market segments in which they operate. Company over the time has developed specialized expertise in providing consultancy services across major market segments.

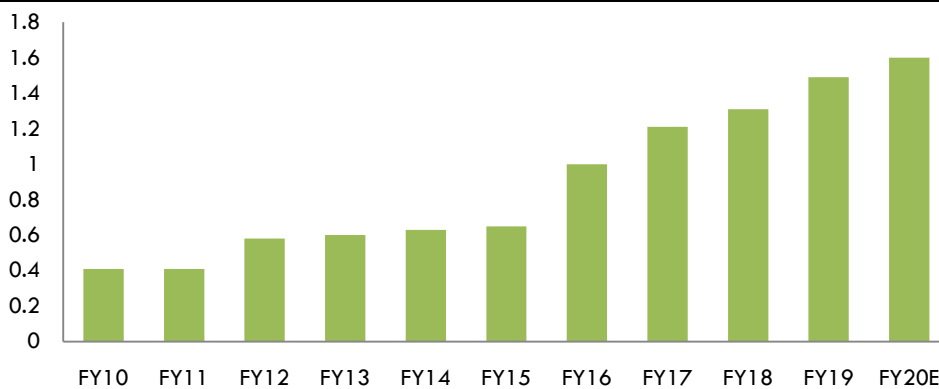
**Company's offerings in transport infrastructure consultancy and engineering services consist of following activities:**

- a) Conducting techno-economic feasibility studies and preparation of detailed project reports,
- b) Design engineering activities,
- c) Procurement assistance,
- d) Project management activities,
- e) Quality assurance, inspection, training and construction supervision,
- f) Materials system management, transaction advisory and commissioning support including operation and maintenance.

Company's diversified sector portfolio in consultancy services in the transport infrastructure sector enables it to access sectors with growth potential according to changing macroeconomic trends and also enables it expand company's operations in the sectors in which they already have significant presence.

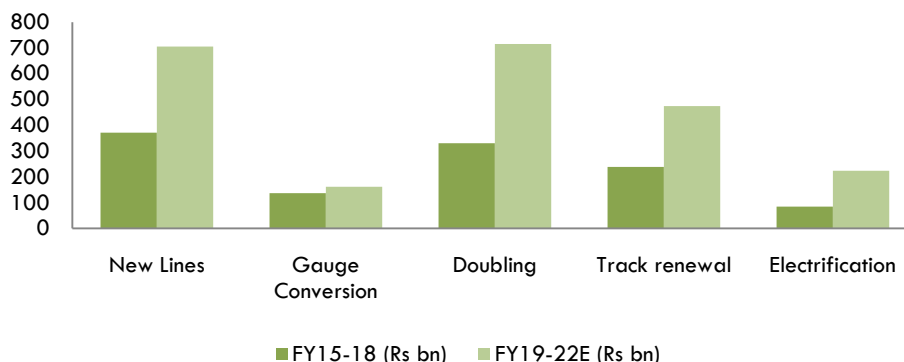
Indian Railway's capex for FY20 is set at a record level of ₹1.6tn. While major thrust area for MoR stands for rolling stock it is undertaking several initiatives to ensure passenger safety and security. Modernization and mechanization of rolling stock and station infrastructure is also being pursued more aggressively.

**Indian Railways Planned CAPEX (in ₹Tn)**



Source - Indian Railways, Company, Way2Wealth

**Indian Railways aggregate expenditure to be spread across all verticals**



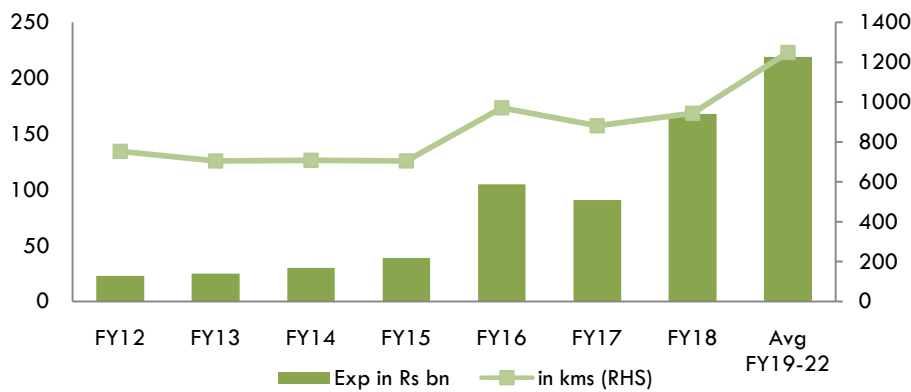
Source - Indian Railways, Company, Way2Wealth

As per the ministry and external research agencies the railways sector offers an investment opportunity of over ₹10tn across various segments:

- 80% is constituted by rail tunnels, doubling works and new line projects combined.
- In the next four to five years, IR plans to undertake 22,825 km of new line and 12,215 km of line doubling. Besides, it plans to electrify at least 28,000 km of railway network.
- Also, 3,360 km of Dedicated Freight Corridor (DFC) is expected to be commissioned by 2020.
- The eight proposed high-speed rail (HSR) projects will entail a total investment of at least ₹13tn over the next 15-20 years. In addition, nine semi-HSR projects are in the planning stage.

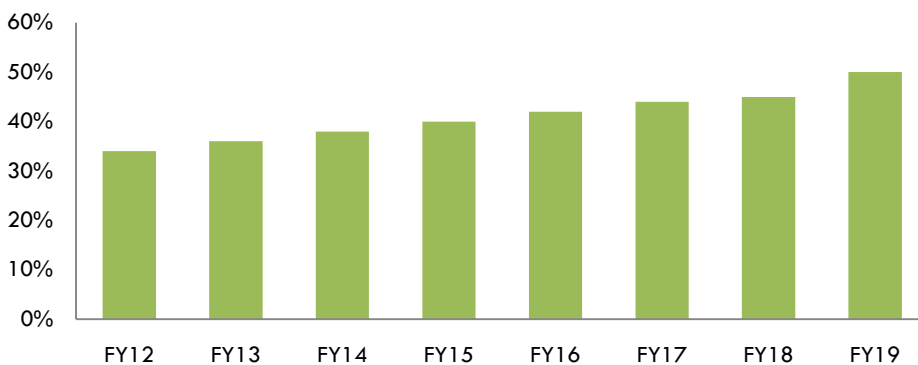
Doubling projects, which involve laying additional line/s along an existing line to ease traffic constraints and increase chartered capacity, are seeing sharper focus on commissioning. In line with the master plan prepared by Indian railways, the government's plan till FY21 is to touch electrification pace of 10,500 km every year with intention to electrify entire rail network by 2022.

**Doubling projects to open opportunities**



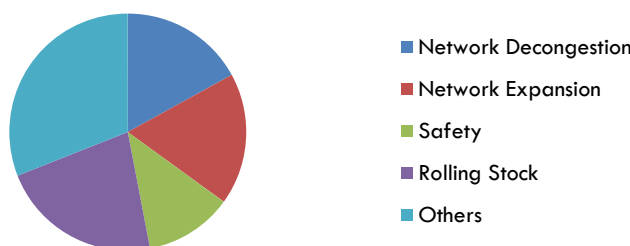
Source - Indian Railways, Company, Way2Wealth

**Share of electrified rail network seeing growth**



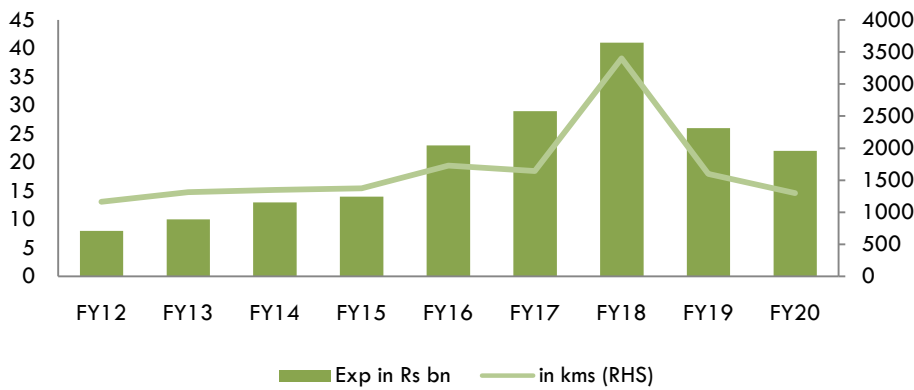
Source - Indian Railways, Company, Way2Wealth

**BITES to focus on Network Expansion, Decongestion and safety orders**



Source - Indian Railways, Company, Way2Wealth

**Expenditure on gauge conversion to see moderation**



Source - Indian Railways, Company, Way2Wealth

**DEDICATED FRIEGHT CORRIDOR**

|                 | <b>EASTERN DFC</b>   | <b>WESTERN DFC</b>   |
|-----------------|--|--|
| <b>Distance</b> | Total of 1856 km. 447 km Ludhiana – Khurja – Dadri (Single line segment)<br>1 409 km Dankuni in West Bengal and Khurja in Uttar Pradesh (Electrified double track segment) | 1 504 km JNPT(Jawaharlal Nehru Port Terminal) to Dadra (via Vadodara-Ahmedabad- Palanpur-Phulera- Rewari)<br>Proposed to join Eastern DFC at Dadri |
| <b>Coverage</b> | Punjab, Haryana, Uttar Pradesh, Bihar, Jharkhand and West Bengal   | Haryana, Rajasthan, Gujarat, Maharashtra and Uttar Pradesh   |

Source - DFCCIL



Source- DFCCIL



**Western Dedicated Freight Corridor**



Source- DFCCIL

**Eastern Dedicated Freight Corridor**



Source- DFCCIL



### DFC Progress as on September 2019

- Total Estimated Cost - ₹814.59bn
- Debt Equity ratio of the project is 3:1
- While the first section of the eastern DFC—194 km stretch from Bhadan to Khurja—and western DFC – another 200 km from Rewari to Madar—has been completed, around 1,000km of DFC, including western DFC connecting states such as Haryana, Maharashtra and eastern DFC connecting Punjab and West Bengal is expected to be operational in the current year.
- Plans to complete more than 60-70% of the work in the two corridors this financial year and make them fully operational by 2021.

#### Eastern Corridor

- Ludhiana-Mughalsarai (1,192 km) with World Bank funding of (\$2.11 bn)
- Mughalsarai-Sonnagar (126 km) with Indian Railway funding of ₹36.79bn
- Dankuni-Sonnagar (538 km) through PPP (₹122.18bn)
- Successful run of Electric Locomotive in Khurja-Bhadan section (194 kms) was carried out on 15th August 2019. The trial run of a Heavy Haul train comprising a total of 103 wagon of the Heavy Haul train carried finished steel and coal weighing approximately 9,000 tons.

#### Western Corridor

- Dadri-JNPT(1504 km) (Phase-I & II) with JICA funding of ₹387.22bn
- 54 major bridges with Indian Railway funding of ₹6.75bn.
- All loans with World Bank and JICA tied-up.

#### Progress of awarded works

- Track laying of 2144 Track kms completed by Mechanized track Construction (NTC Machine).
- For the first time in India, OHE mast foundation using mechanized auguring mechanism & OHE wiring using mechanized wiring train is being carried out. The OHE wiring train is capable of carrying out wiring of 3 km/shift as compared to 1 km/shift by conventional means. Total 4 machines (3 in EDFC & 1 in WDFC) are presently in operation.
- Catenary and Contact wire laying of 1188 km has been completed till September 2019.

#### Award of Contracts

- All Civil contracts of EDFC & WDFC have been awarded.
- Overall contracts worth ₹523.87bn have been awarded till date (97.8% of the overall contracts).
- Further contracts under finalization: ₹18.68bn

| Western DFC - Section with kms   | Physical progress  |
|----------------------------------|--|
| Rewari-Iqbalgarh (639km)         | Civil - 86%; Electrical-68%; S&T Contracts-47%                     |
| Iqbalgarh-Vadodara (308 km)      | Civil -40.3%; Electrical-41.29%; S&T Contracts-12.83%              |
| Vadodara-Sachin (133kms)         | Civil -31.4%; Electrical-45.84%; S&T Contracts-32.49%              |
| Sachin-Vaitarna (186kms)         | Civil - 33.73%; Electrical- 40.41%; S&T Contracts-25.24%           |
| Vaitarna-JNPT (102kms)           | Civil -12.96%; Electrical- 50.97%; S&T Contracts-10.12%            |
| Dadri-Rewari(integrated-127 kms) | Civil - 29.45%   |
| <b>Overall</b>                   | <b>Civil -54.47%; Electrical- 59.04%; S&amp;T Contracts-37.86%</b> |

Source – DFCCIL, Way2Wealth

| Eastern DFC - Section With kms                               | Physical progress  |
|--|--|
| Dadri-Khurja(46 km)  | Civil - 37.5%  |
| Khurja-Pilkhani (222km)                                      | Civil - 16%  |
| Pilkhani-Ludhiana(179 km)                                    | Civil - 38%  |
| Khurja-Bhaupur (343 km)                                      | Civil - 94.5%; Electrical-71%; S&T Contracts-71%                   |
| Bhaupur-Mughalsarai (402km)                                  | Civil - 55%; Electrical-30%; S&T Contracts-30%                     |
| Mughalsarai-Sonnagar (126km) inclu. Durgawati-Sasaram (56km) | Civil - 52.5%. Durgawati-Sasaramline ready for commissioning       |
| <b>Overall</b>   | <b>Civil - 49.65%; Electrical-38.73%; S&amp;T Contracts-43.06%</b> |

Source –DFCCIL, Way2Wealth

## Railways seeks cabinet nod to build 3 freight corridors at ₹ 3tn

The railways ministry has sought the approval of the Union cabinet to build three new dedicated freight corridor (DFC) networks at a total investment of about ₹3tn. in what may help Indian Railways meet growing demand for faster and efficient movement of freight.

While the East-West Corridor (2,328km) will be built between Kolkata and Mumbai, the North-South Corridor (2,327km) is planned between Delhi and Chennai and the East Coast Corridor (1,114km) between Kharagpur and Vijaywada. The three new DFCs will cover 5,769km. The preliminary engineering and traffic system study of these corridors has already been completed.

**Heavy Haul Rail Corridor** – Indian Port Rail Company Limited (IPRCL) has proposed of laying the third and fourth broad gauge railway line from Malegaon in Maharashtra to Paradip and Dhamra ports both on Odisha Coast. The railway lines will be dedicated to carrying freight and mostly thermal coal. The development of this project will give a fillip to the government's initiative to promote multi-modal logistics and Coastal shipping

| DFC   | KMS   | Coverage   |
|---|-------|--|
| East –West Corridor (Kolkata – Mumbai)              | 2,328 | West Bengal, Jharkhand, Orissa, Chhattisgarh, Maharashtra          |
| North – South Corridor (Delhi – Chennai)            | 2,327 | Haryana, Uttar Pradesh, Rajasthan, MP, Maharashtra, AP, Tamil Nadu |
| East Coast Corridor (Kharagpur – Vijayawada)        | 1,114 | West Bengal, Orissa, Andhra-Pradesh                                |
| Southern Corridor – Chennai to Madgaon(in pipeline) | 892   | Tamil Nadu, Andhra-Pradesh, Karnataka, Goa                         |

Source –Company, Way2Wealth

Indian Railway is poised to become one of the major drivers for economic growth in the country. Going forward, Indian railways' network expansion and de-congestion plans are expected to create huge opportunities for project developers, EPC contractors, technology providers, manufacturers of rolling stock, renewable energy developers, and transmission and distribution equipment providers. We therefore believe with significant emphasis being laid by the present Government in improving infrastructure especially Railways opens up immense potential for RITES Ltd. We believe being a Government of India undertaking, RITES to benefit immensely in future years.

## HIGH SPEED RAIL: The possible future

After roads, a plausible theme is high-speed/semi-high-speed rail corridor. Be it bullet-train (high speed) or regional rail transport (semi-high speed), the progress made can translate into addressable opportunity of ~₹2tn in near term (NCR-phase 1 RRTS and Ahmedabad-Mumbai Bullet train). True, such big ticket project often divides the political room. After all, from land acquisition to techno-economic feasibility, the factors are often contentious. With critical state and general elections looming around, the timing of the project award could be tricky. Yet with tendering of some of the projects, the intent of the government, we must admit, is clear.

RRTS is a rail-based high-speed transit system. Here, the system enables a design speed of 180 kmph, where RRTS moots an average functional speed of 100 kmph. Once operational, the planners estimate it as the fastest commuter transport in NCR. Further, such high-speed seamless connectivity will reduce pollution and congestion. With this aim, the National Capital Region Transport Corporation (NCRTC) has identified 8 corridors. The first phase, where NCRTC plans to develop the three corridors, are: (1) Delhi to Meerut; (2) Delhi to Alwar; and (3) Delhi to Panipat. The three corridors will converge at Sarai Kale Khan in New Delhi and will also have seamless integration with other modes of transportation, such as Delhi metro rail stations, Inter-state bus terminals, airports, and railways stations.

### High Speed Lines in the World

|                | Number of Lines | Year of First Operation | Max. Speed (km/hr) | Distance (km) | Track Gauge (mm) |
|----------------|-----------------|-------------------------|--------------------|---------------|------------------|
| Japan          | 6               | 1964                    | 320                | 2388          | 1435             |
| France         | 9               | 1981                    | 320                | 2036          | 1435             |
| Italy          | 7               | 1988                    | 300                | 923           | 1435             |
| Germany        | 11              | 1991                    | 300                | 1334          | 1435             |
| Spain          | 15              | 1992                    | 300                | 2515          | 1435             |
| Belgium        | 4               | 1997                    | 300                | 209           | 1435             |
| United Kingdom | 2               | 2003                    | 300                | 113           | 1435             |
| South Korea    | 2               | 2004                    | 300                | 412           | 1435             |
| Taiwan         | 1               | 2007                    | 300                | 345           | 1435             |
| Switzerland    | 1               | 2007                    | 250                | 35            | 1435             |
| China          | 26              | 2008                    | 350                | 9867          | 1435             |
| Turkey         | 2               | 2009                    | 250                | 444           | 1435             |
| Netherlands    | 1               | 2009                    | 300                | 120           | 1435             |
| Austria        | 1               | 2012                    | 250                | 93            | 1435             |

Source- NITI Aayog, Way2Wealth

### The next leg of railway focus is on high

| Type of train   | Operational Speed km/h | Average Speed km/hr | Manufacturers/Operators  | Indigenous Production | Government Approval  |
|-----------------|------------------------|---------------------|--|-----------------------|--|
| Super Speed     | 500-550                | 450                 | JR Central (Japan), Trans-rapid (China), CRH 2 (China)   | NO                    | NO   |
| High Speed      | 300-350                | 250                 | CRH 1 China, AGV France, Shinkansen Japan, Velaro/Zefiro/ ICx Germany, Rotem South Korea KTX, SRT  | NO                    | YES  |
| Semi-High Speed | 160-200                | 110                 | WAP-5 locomotives, Kapurthala Rail Coach Factory (Indian, max. speed of 160 kmph (99mph)), WAP-7 (Indian, max. speed of 160 kmph (99 mph)) | YES                   | Yes ((Only max.160 km/h (99 mph) is allowed for operation in India |
| Express Train   | 110-140                | 60-90               | WAP-5, WAP-7, WDP-4/B/D, WAP-5, WAP-4 and LHB coaches of Indian Railways   | Yes                   | Already in Operation   |
| Passenger       | 50-70                  | 30-40               | WAM-4, WAP-1, WDP-4/B/D, WDP-3A, WDM-3A/D.   | Yes                   | Already in Operation   |

Source- NCRTC, Way2Wealth

### RRTS is gathering pace with rolling out of tenders

As a part of integrated plan for 2032, Regional Rapid Transit System (RRTS) is a dedicated, high speed, high capacity commuter service connecting regional nodes in National Capital Region (NCR). Also, RRTS is different from conventional railway. It aims to provide reliable, high frequency, point to point regional travel at a dedicated path way. Further, RRTS is different from metro. It caters passengers looking to travel relatively longer distance with fewer stops. However, the risks are that RRTS might miss the first-phase deadline of 2024. This is over the difference of opinion with Delhi Government over the construction of a metro station at Sarai Kale Khan. While in principle the Delhi government agrees to it RRTS project but there are issues with regards to funds. The green-shoots, however, are here: of the eight corridors identified, the first phase will have three and out of the three, pre-constructions tenders for stage-I of first project are rolled out.

### Even with revision, bullet trains opportunity size is ₹9-10tn

For maximum capacity utilization and to bring down the unitary metric cost of ₹2bn per kilometer to ₹1bn, the government plans to double the lines on a single pillar. Sure, this achieves the unitary objective. However, with corridor length at 9260kms as against 4630kms as of now, the total project cost, in either ways, remains static at ₹9trn. Also, the revised cost structure and techno-economic feasibility, at this point in time, is unknown.

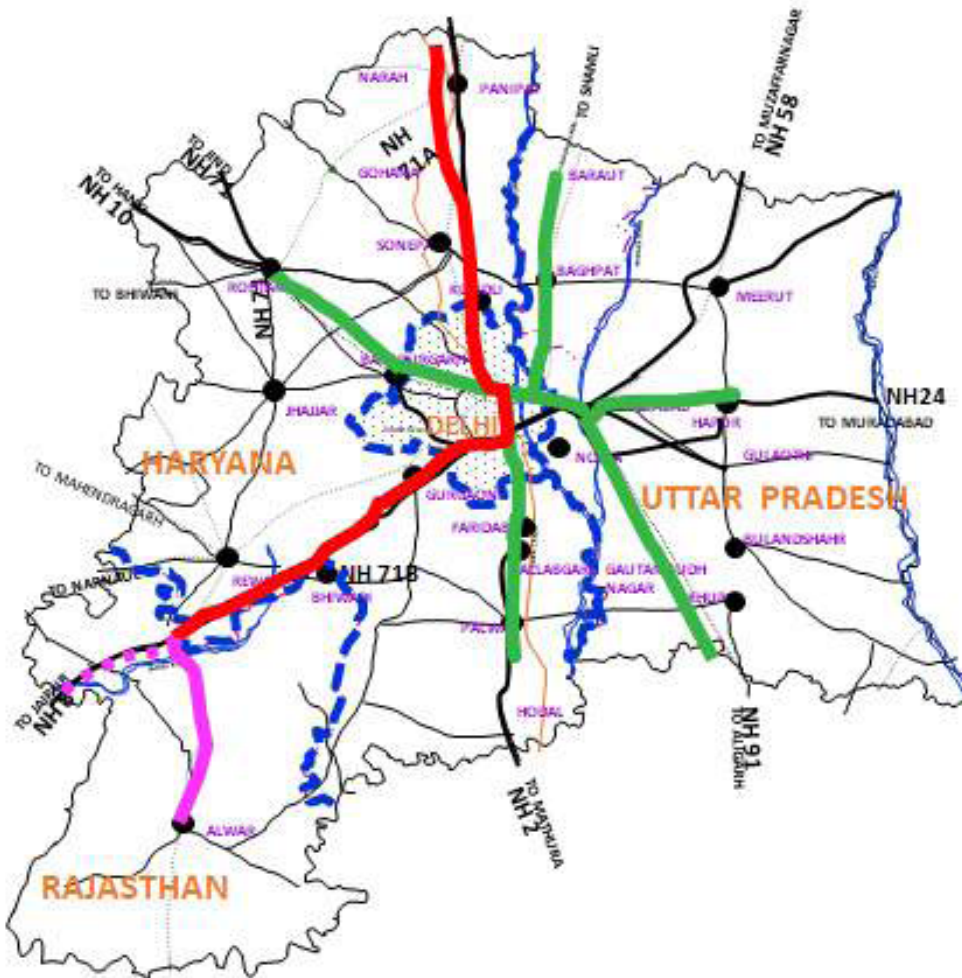
**Alternate models for 160 kmph being explored**

Like Delhi-Agra stretch, the Indian railways are augmenting certain stretches to an operational speed of 160 Kmph. However, this would entail capex for (a) fencing at vulnerable locations;(b) provision of thick web switches; (c) installing an appropriate train protection system to prevent risk of collisions; (d) maintenance of track geometry to a very high standard; and (d)Standard IV interlocking. Further, the latest rolling stock LHB Coaches and WAP 5ElectricLocos can address the desired speed of 160 Kmph.

**Land acquisition of bullet train, the first of its kind, is behind the schedule**

The 508-km rail corridor will require 1,400 hectares of land. Of the 1400 hectares, 1120 is privately owned. The NHRCL, the agency for bullet train, until now only had the 0.9 hectares. Interestingly, the patch of land was transferred in Bandra Kurla Complex from the state government. Further, around 6,000 land owners across 312 villages in the two states will have to be adequately compensated. The December deadline to acquire the land, thereby, we suspect, may shift. The process of securing consent from farmers is going on. A formal notification for land acquisition will be issued soon. With new policy of Gujarat state government, there is little reluctance in land acquisition.

**RRTS planned across NCR region has first phase deadline of 2024**



Source- NCRTC, Way2Wealth

**RRTS corridor likely to be closer to Delhi Metro in length**

| First Phase           |                                   | KMS |
|-----------------------|-----------------------------------|-----|
| 1                     | Delhi-Sonipat-Panipat             | 103 |
| 2                     | Delhi-Ghaziabad-Meerut            | 82  |
| 3                     | Delhi-Gurugram-Rewari-Alwar       | 164 |
| <b>Other Corridor</b> |                                   |     |
| 4                     | Delhi-Faridabad-Ballabgarh-Palwal |     |
| 5                     | Ghaziabad-Khurja                  |     |
| 6                     | Delhi-Bahadurgarh-Rohtak          |     |
| 7                     | Ghaziabad-Hapur                   |     |
| 8                     | Delhi-Shahdara-Baraut             |     |

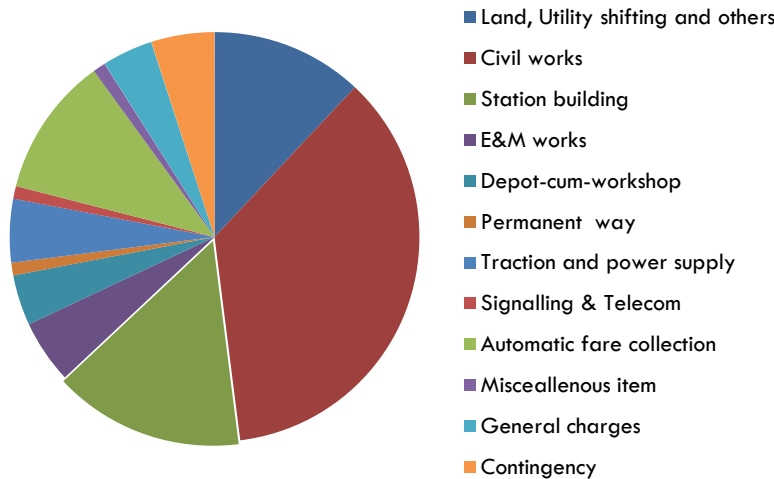
Source- NCRTC, Way2Wealth

**The first-phase will unlock opportunity of ~₹1 tn; planners estimate the work to be completed by 2024; and the remaining five corridors, by 2032**

| Prioritised Corridors Identified  | Approx. Length in kms | Expected Travel Time in mins | Project cost (₹bn) |
|-----------------------------------|-----------------------|------------------------------|--------------------|
| Delhi - Sonipat - Panipat         | 103                   | 65                           | 300                |
| Delhi - Ghaziabad -Meerut         | 82                    | 55                           | 325                |
| Delhi - Gurugram - Rewari - Alwar | 164                   | 117                          | 370                |

Source- NCRTC, Way2Wealth

**Cost break-up of RRTS project**



Source- NCRTC, Way2Wealth



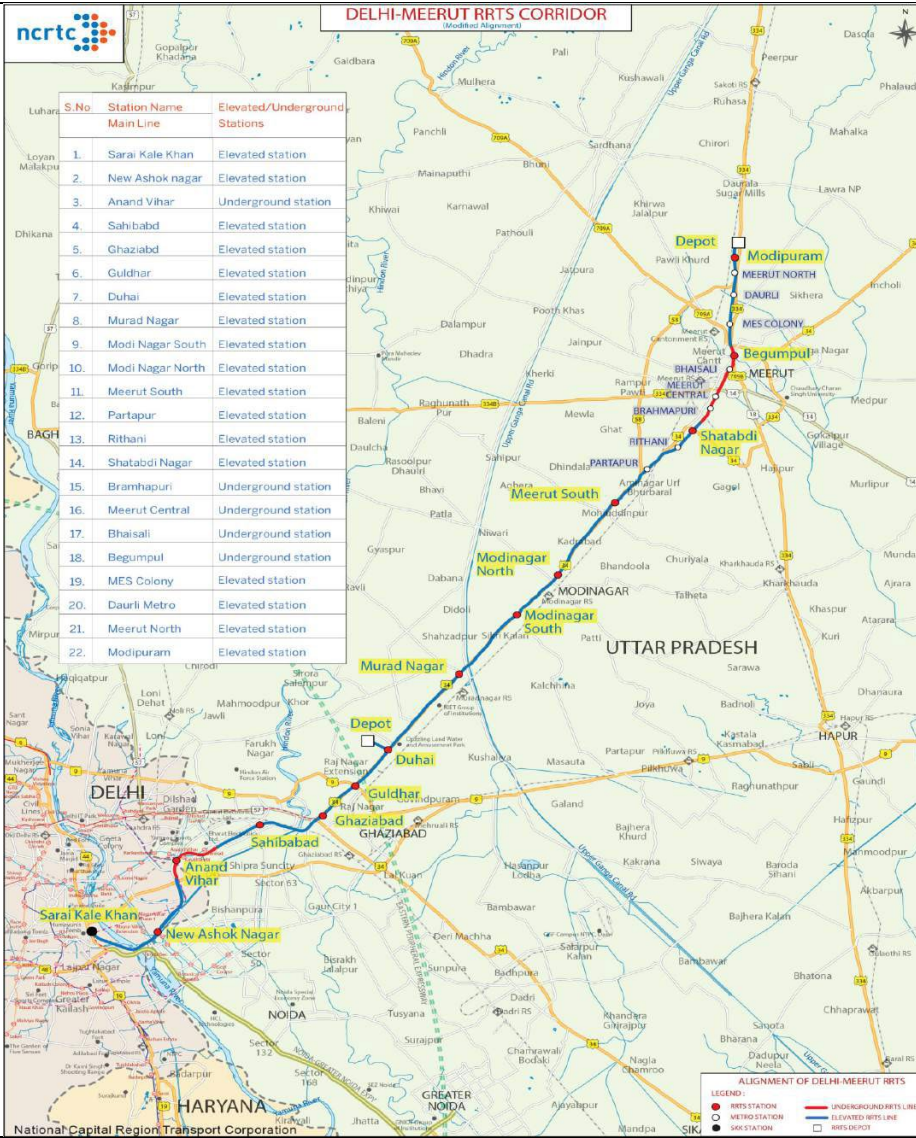
The ₹370bn Delhi-Alwar project will be further segregated in three phases; companies like IRCON likely to get a major chunk.



Source- NCRTC, Way2Wealth

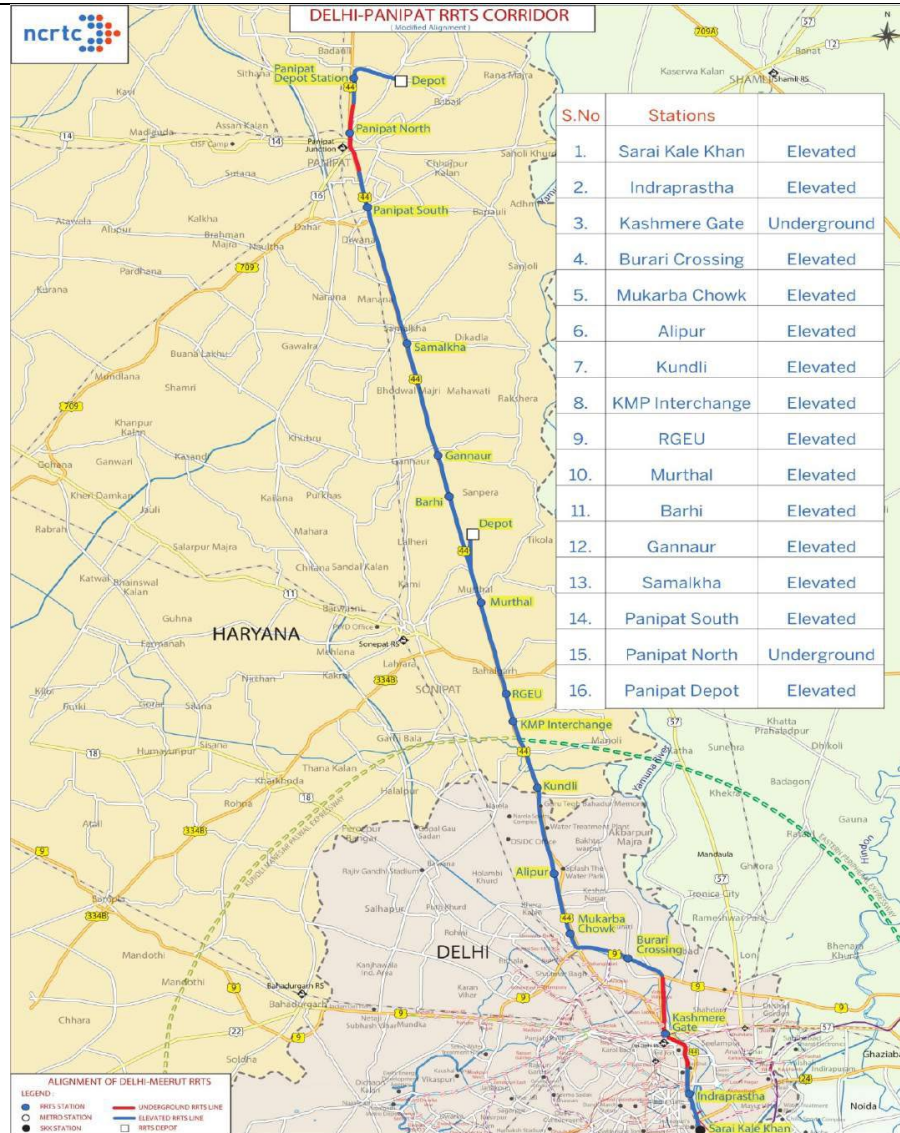


**The Delhi-Meerut ₹325bn project planned to start operations by 2024**



Source- NCRTC, Way2Wealth

**Delhi-Panipat stretch is estimated at ₹300bn; the time-line could be in and around 2024.**



Source- NCRTC, Way2Wealth

**2. Nominated player for rail modernisation, power procurement, Renewables and electrification projects**

RITES has further expanded its operations in emerging sectors by undertaking projects in renewable energy, power procurement, railway electrification and modernization works as well as turnkey projects in up-gradation and modernization of railway workshops. We believe over the last few years Government has undertaken multiple reform measures especially in infrastructure sector supported by improvement in the pace of project execution. This continues to be reflected in RITES's EPC Order-book, which has swelled from ₹14.38bn in FY17 to ₹23.69bn by Q2FY20.

RITES Ltd is a nominated organization of the Indian Railways for the export of railway locomotives, coaches and other equipment which are manufactured by the Indian Railways (other than exports to Malaysia, Indonesia and Thailand). Company leases railway locomotives for the use of captive rail systems in India, primarily in the sectors of power, steel, cement, coal and port. Company's continues to gain orders from its customers both on Export and on leasing taking ex-consultancy order-book to ₹9.9bn.

**Orders worth ₹9600mn won in 1HFY20**
**Secured more than 90 projects/contracts including enhanced scope during Q1FY20**

|                    | Project Scope  | Amount (₹mn) | Client                          | Expected Completion |
|--------------------|--|--------------|---------------------------------|---------------------|
| <b>Export</b>      | Supply of 2 DMU Coaches  | 1,568        | Sri Lanka Railways              | 2021                |
|                    | PMC Buxar TPP  | 381.7        | SJVNL                           | 2023                |
| <b>Consultancy</b> | Detailed engineering & PMC for Railway siding                  | 221.7        | THDC India Ltd, Utter Pradesh   | 2023                |
|                    | PMC for Railway Siding & Marshalling Yard                      | 193          | TSPGCL, Telangana               | 2021                |
|                    | PMC for Ghatampur TPP  | 96.3         | Neyveli Utter Pradesh Power Ltd | 2021                |
|                    | Operations & Maintenance of 12 Locomotives                     | 93.6         | NTPC                            | 2020                |
|                    | Feasibility & DPR for Coimbatore MRTS                          | 71.7         | Chennai Metro Rail Ltd          | 2020                |
| <b>Turnkey</b>     | Construction of Administrative Building                        | 403.2        | State Forest Department, Orissa | 2020                |
|                    | Conversion of old Broad Gauge Coaches to auto carriers Coaches | 376.1        | South Eastern Railway           | 2020                |
| <b>Leasing</b>     | Leasing of Locomotive at Mormugao Port                         | 172.3        | Mormugao Port Trust             | 2026                |

Source – Company

**Secured more than 80 projects/contracts including enhanced scope during Q2FY20**

|                    | Project Scope   | Amount (₹mn) | Client   | Expected Completion |
|--------------------|---|--------------|--|---------------------|
| <b>Consultancy</b> | Project Management Consultant cum External Technical Auditor for Const. Purvanchal Expressway | 229.7        | Uttar Pradesh Expressways Industrial Development Authority | 2022                |
|                    | Operation & Maintenance of Locos  | 128.9        | NTPC-Farakka   | 2021                |
|                    | Operation & Maintenance of Locos  | 127.9        | NTPC- Kahalgaon  | 2021                |
|                    | Pre-Feasibility Study of Semi-High Speed Road for Agra-Lucknow-Gazipur-Varanasi Route         | 127.8        | Uttar Pradesh Expressways Industrial Development Authority | 2020                |
| <b>Leasing</b>     | Leasing of 3 locomotives  | 133.2        | Visakhapatnam Port Trust                                   | 2021                |
| <b>Turnkey</b>     | Installation of Online monitoring system of rolling stock                                     | 563.1        | DFECL  | 2020                |
|                    | Feasibility Study & Field location survey of HSR-Vapi & Virar                                 | 91.5         | National High speed Railways                               | 2020                |

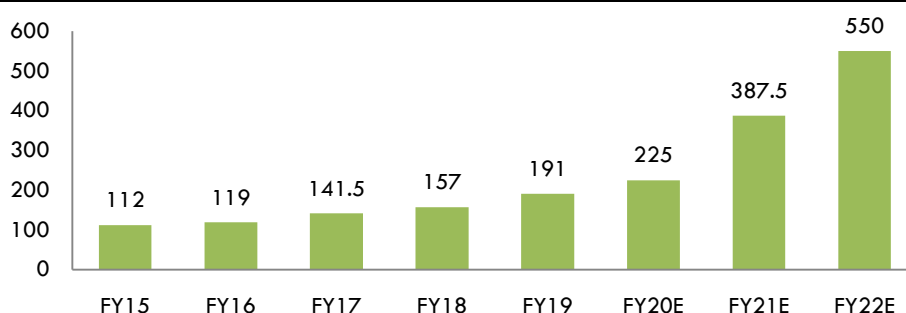
Source – Company

**3. Next leg of Consultancy revenue from Metrorail expansion**

Rapid urbanization and declining share of public transport have intensified the traffic and pollution problem in India. To control this situation, the government is aggressively rolling out the metro rail network in Tier I & II cities. With 13 operational projects, 14 under construction projects and 7 projects at the planning stage, India has already surpassed the USA in terms of the metro rail network and now is only behind China. This metro rail boom is projected to attract investments worth of more than ₹1.34 Lac Cr over the next 5 years.

**RITES offers consultancy services to major metro rail projects:**

- Supervision for implementation work of Metro Express Project in Mauritius
- General Consultancy for Ahmedabad Metro Phase I, Nagpur Metro Phase I and Delhi Metro Phase III
- Project management consultancy services for Nagpur Metro & Pune Metro

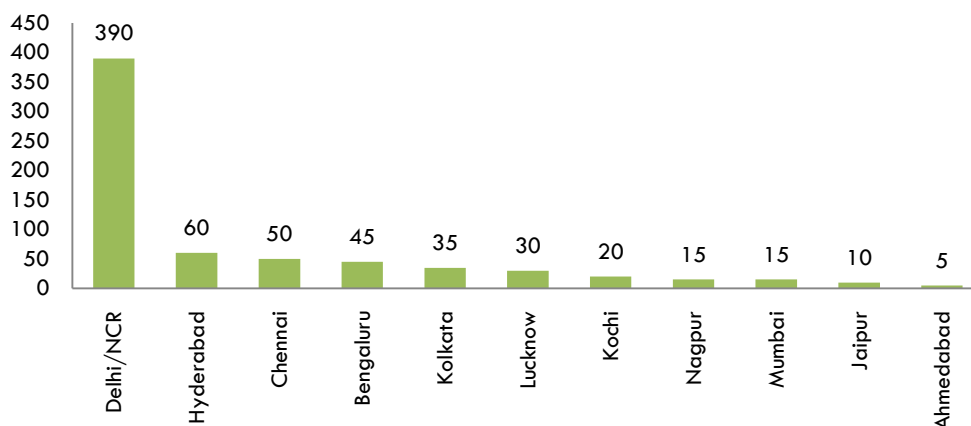
**Metrorail project to provide next leg of Consultancy revenue (₹bn)**


Source- MRTS reports, Way2Wealth



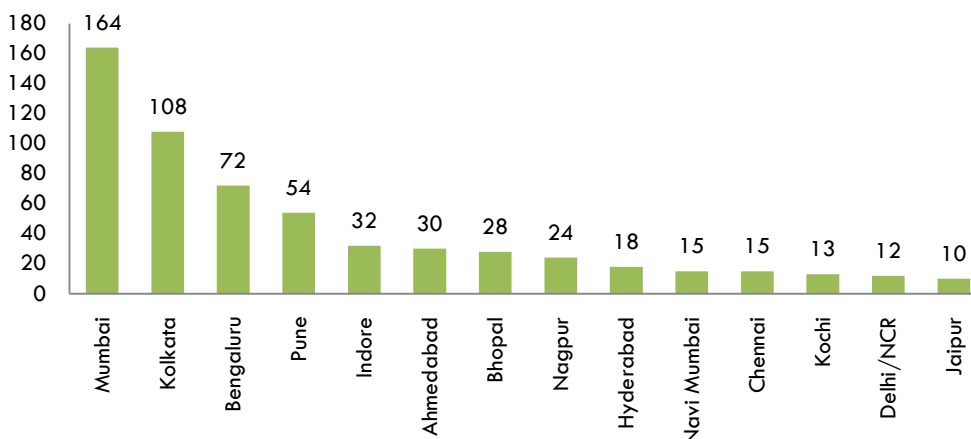
**Status of Metrorail projects in India**

**Operational metro lines in kms**



Source- PIB, Way2Wealth

**Under-construction Metro lines in kms**



Source- PIB, Way2Wealth

**4. EPC road projects to remain in contention even during the times of HAM/ToT projects**

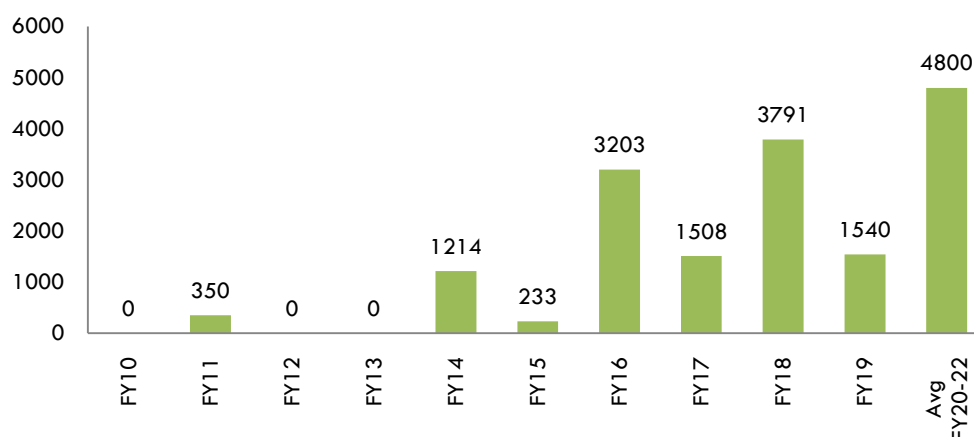
Highway construction in India increased at 25% CAGR between FY15-19. In FY19 highway construction and expansion in the country touched 10,800km which translates to ~30km per day compared to 5,732 km of roads constructed in FY13.

Aggressive commitments are made by Government of India (GoI) for road infrastructure with investment of ₹300bn (\$4.67bn) has been proposed for development of national highways in the North-east under the Bharatmala Project

The current central government has committed to construct 60,000 kms of national highways in the next 5 years by 2024 (most of which will be under Bharatmala project) We are expecting that ~40% of it would be through the EPC route (approx. 24,000 kms), while the rest would be through the HAM route.

RITES also does consultancy services for EPC road projects. With the EPC roads construction expected to pick-up annual pace to 4,500-5,000 kms, RITES could be a beneficiary of a few projects. The management has confirmed that they are comfortable in taking HAM projects in the future given their cash-rich balance sheet and ability to raise capital.

### Growth trajectory in EPC to continue



Source- NHAI, Way2Wealth

During FY15-19, NHAI awarded 21,448 kms of national highways, out of which 12,375 kms were awarded through EPC contracts (compared to 1,564 kms of EPC contracts awarded during FY10-14). With liquidity tightening in the banking and NBFC space due to the stalled recovery of loans and higher NPAs, EPC and HAM are attracting more bidders than BOT projects. NHAI is also increasingly favouring EPC & HAM/TOT model.

### Bharatmala – Providing last mile connectivity through National Highways

India's road network is 3rd largest in the world, of which only 2.2% are national highways (total NH length 12.2mn kms) carrying 40% of country's traffic load. Bharatmala Pariyojana is projected to significantly boost highway infrastructure:

- Double the length of NH to 200,000 kms
- Eliminate 789 black spots identified by the Ministry of Road Transport & Highways by Mar 2020 by constructing permanent structures such as flyovers, underpass and pedestrian paths
- The special accelerated road development program for the North-Eastern region by adding 4100 kms of highways.
- Increase the number of economic corridors from currently active 6 corridors to 50 corridors
- Increase the traffic load from 40% to 80% by connecting 24 logistics parks, 66 inter-corridors
- Add 250 districts to national highways (currently 300 districts are connected) by minimum 4 lane roads.

### Components of Bharatmala

| Category                                    | Description  | Total length identified (Kms) | Phase I (Kms) by 2022 | Phase II (Kms) by 2024 |
|---|--|-------------------------------|-----------------------|------------------------|
| National corridors efficiency improvement   | Lane expansion & decongestion of existing national corridors                     | 13,100                        | 5,000                 | 8,100                  |
| Economic corridors improvement              | Connection of economically important production & consumption centers            | 26,200                        | 9,000                 | 17,200                 |
| Inter corridors & feeder routes development | Inter connection between economic corridors, first mile & last mile connectivity | 15,500                        | 6,000                 | 9,500                  |
| Border & International connectivity roads   | Connectivity to border areas and boosting trade with neighbouring countries      | 5,300                         | 2,000                 | 3,300                  |
| Coastal & port connectivity routes          | Connectivity to coastal areas to enable port led economic development            | 4,100                         | 2,000                 | 2,100                  |
| Expressways                                 | Greenfield expressways   | 1,900                         | 800                   | 1,100                  |
| <b>Total</b>                                |  | <b>66,100</b>                 | <b>24,800</b>         | <b>41,300</b>          |

Source- Bharatmala documents



## 5. SAGARMALA - Future revenue source

In order to grapple with the potential uncertainties in railways consultancy, RITES is diversifying to milk opportunities in ports & airports. RITES has entered in many non-railway consultancy projects in the recent past to control the slowdown in its consultancy business performance. Sagarmala is one such project which is expected to provide a similar kind of opportunity.

As part of the Sagarmala program, more than 600 projects (worth of ₹8.8tn) have been identified for implementation (during the period of 2015-35) across the areas of port modernization, new port development, port connectivity enhancement, port-linked industrialization and coastal community development.

### Project under Sagarmala

| Sagarmala Project |                        | Port Modernization | Port Connectivity | Port led Industrialization | Coastal Community Development | Total    |
|-------------------|------------------------|--------------------|-------------------|----------------------------|-------------------------------|----------|
| 2017-18           | No. of Projects        | 107                | 82                | 18                         | 28                            | 235      |
|                   | Project Cost (Rs. Cr.) | 38,040             | 63,095            | 1,36,860                   | 2,195                         | 2,40,190 |
| 2018-19           | No. of Projects        | 100                | 69                | 1                          | 34                            | 204      |
|                   | Project Cost (Rs. Cr.) | 33,738             | 48,180            | 11,147                     | 4,268                         | 97,334   |
| 2019-20           | No. of Projects        | 15                 | 46                | 5                          | 6                             | 72       |
|                   | Project Cost (Rs. Cr.) | 8,635              | 35,797            | 4,288                      | 740                           | 49,460   |
| 2021-25           | No. of Projects        | 36                 | 13                | 33                         | 0                             | 82       |
|                   | Project Cost (Rs. Cr.) | 54,004             | 1,03,453          | 3,22,598                   | 0                             | 4,80,055 |
| 2025-35           | No. of Projects        | 8                  | 3                 | 0                          | 0                             | 11       |
|                   | Project Cost (Rs. Cr.) | 10,680             | 390               | 0                          | 0                             | 11,070   |
| Total             | No. of Projects        | 266                | 213               | 57                         | 68                            | 604      |
|                   | Project Cost (Rs. Cr.) | 1,45,096           | 2,50,915          | 4,74,893                   | 7,204                         | 8,78,108 |

Source- Ministry of Shipping

### Status of Sagarmala projects status (till Sep 2019)

| Theme                         | Total           |                       | Completed       |                       | Under Implementation |                       |
|-------------------------------|-----------------|-----------------------|-----------------|-----------------------|----------------------|-----------------------|
|                               | No. of Projects | Project Cost (Rs.Cr.) | No. of Projects | Project Cost (Rs.Cr.) | No. of Projects      | Project Cost (Rs.Cr.) |
| Port Modernization            | 236             | 1,18,352              | 68              | 22,551                | 70                   | 36,998                |
| Port Connectivity             | 235             | 2,35,528              | 35              | 5,803                 | 94                   | 1,19,360              |
| Port Led Industrialization    | 35              | 2,40,234              | 2               | 512                   | 17                   | 1,51,745              |
| Coastal Community Development | 68              | 7,369                 | 16              | 1,362                 | 20                   | 945                   |
| Total                         | 574             | 6,01,483              | 121             | 30,228                | 201                  | 3,09,048              |

Source- Ministry of Shipping

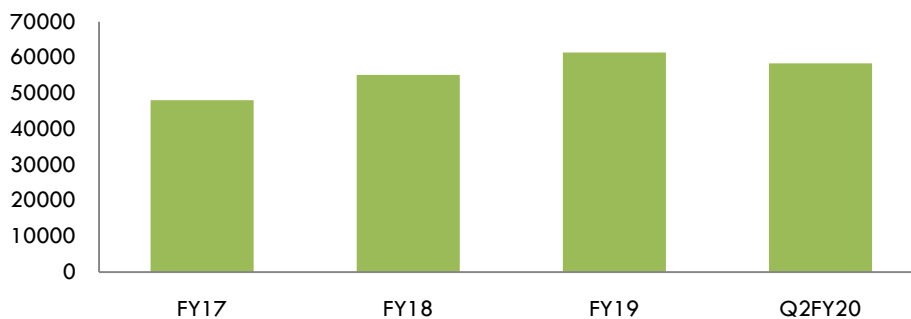
**Healthy Order book on asset light business model enabling strong balance sheet to generate cash flows**

**1. Healthy order-book in Turnkey projects and Exports provides Revenue visibility**

Company is nominated by Ministry of Railways to undertake various Turnkey orders. Export order-book on the other hand continues to gain traction led by healthy order wins in India and Sri-Lanka (The supply of 6 DEMUs have been completed by the end of the Q2FY20). The company plans to secure international orders from Africa, thereby taking the expected total order book for FY20 to ~₹80,000mn. We believe with healthy order book BITES remains in a sweet spot as it looks forward for execution. With Government’s thrust on Railway Infrastructure order-book will continue to grow in coming years while higher execution will be witnessed in EPC segment. Exports on the other hand will pick up in coming years as timelines nears for many projects. Wet leasing of locomotives on the other hand has gained traction amongst BITES customer’s, which should aid this business going ahead.

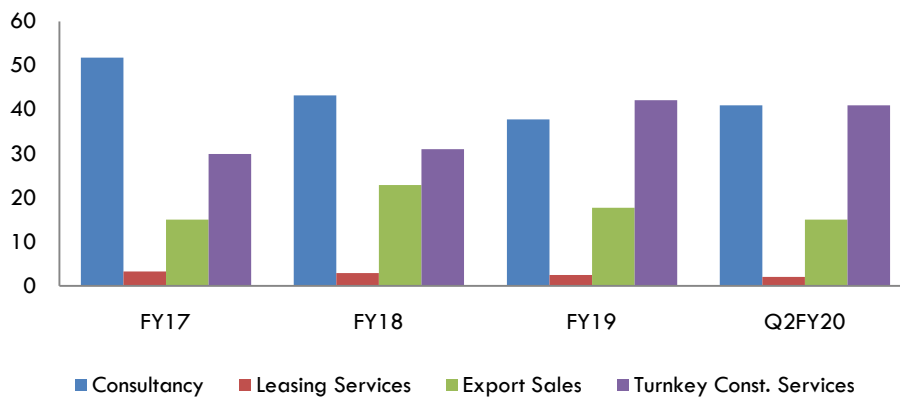
**Order-Book Mix and Growth**

**Total Order book (₹mn)**



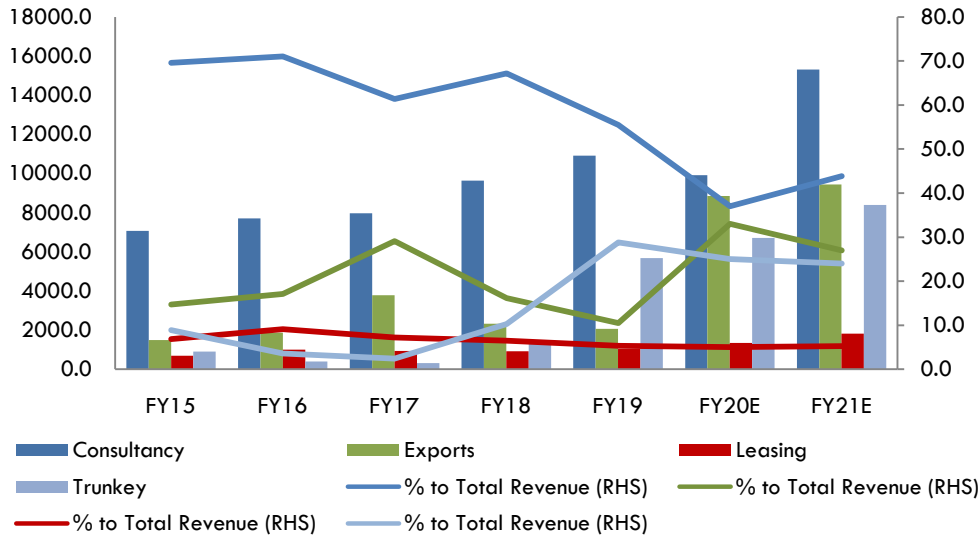
Source- Company, Way2Wealth

**Order Mix (%)**



Source- Company, Way2Wealth

**Revenue (₹mn) and Revenue Mix (%)**



Source- Company, Way2Wealth

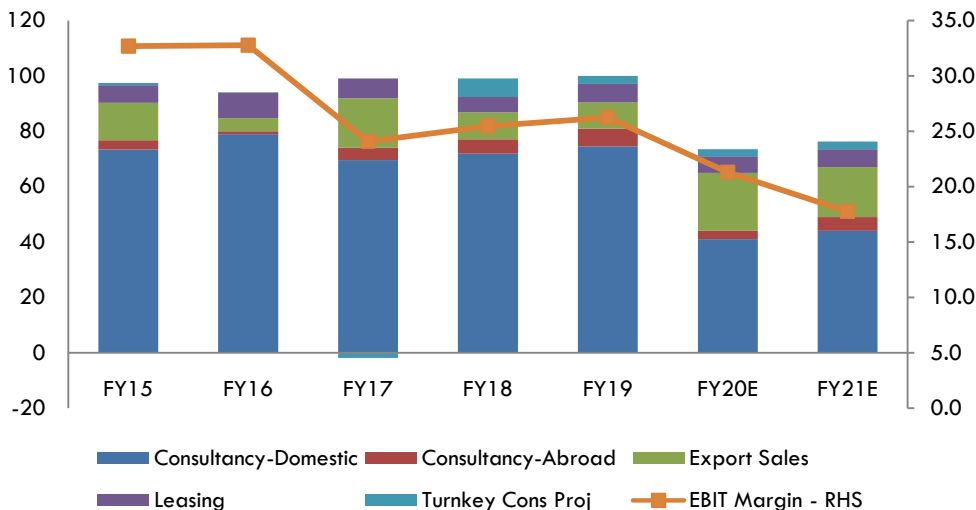
**2. Consultancy business to witness margin pressure, dragging down EBIT**

We believe consultancy business is likely to face competitive pressure in domestic market, as Ministry of Railway opens up for competitive bidding. We believe in certain cases where RITES receives on nomination basis, those projects should fetch higher margin while company's focus on improving overseas consultancy should arrest a significant fall in EBIT margins.

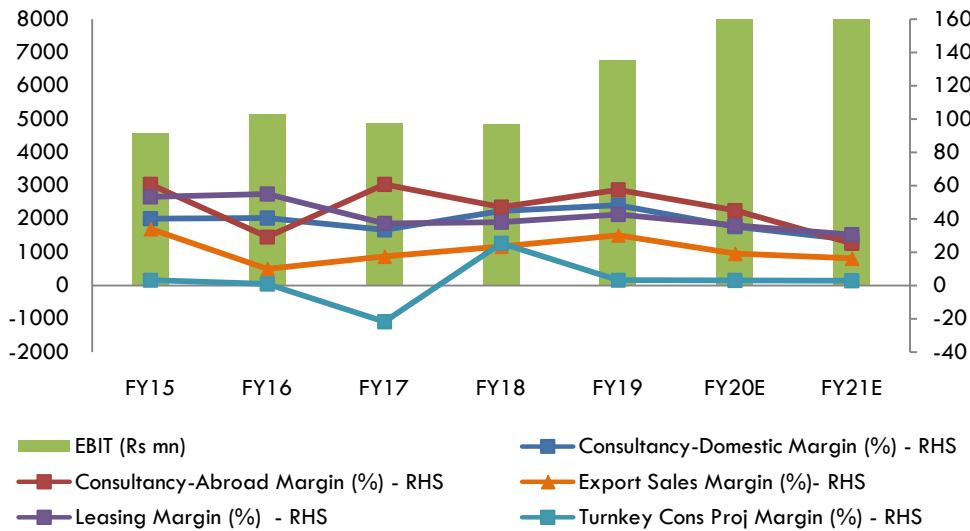
We expect Export to witness stable margin (20-25%), while Turnkey business margin should be in the range of 2.5% to 3%. We believe despite Turnkey contributing ~25% of Revenue contribution to EBIT continues to remain low at 3-3.5%. Hence, contribution is likely to remain low and unlikely to add to EBIT and improve margins. We therefore expect overall EBIT margin to remain at 30% for FY20E.

In FY21, RITES consultancy business is likely to grow at even with heightened competition especially by foreign players, based a focused approach of voluntary non-participation in smaller orders and strategically avoiding low margin contracts should lead a CAGR growth of 18.5% over FY19-FY21. Overall, we expect RITES revenue to grow at 33.3% CAGR over FY19-21E driven by Exports segment (113.7% CAGR led by higher execution) followed by Leasing (32.5% CAGR) and Turnkey Construction Projects (21.7% CAGR) leading to a Revenue of ₹34.98bn by FY21E.

**EBIT Mix & Margin (%)**



Source- Company, Way2Wealth

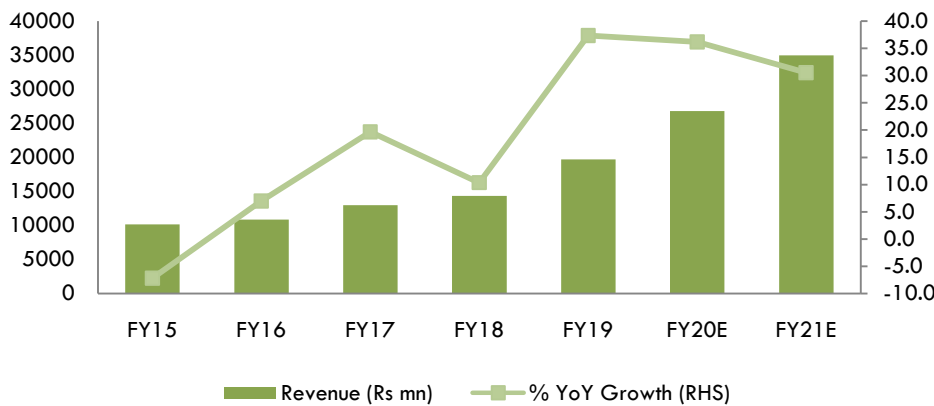


**3. Higher Top-line growth coupled with higher other income to boost bottom-line:**

We believe RITES will post a healthy growth in coming years which is reflected in their Order-Book and the target for FY20 stated to Ministry of Railways (MoR) of ₹23bn is likely to be exceeded. We expect RITES Ltd is to register topline CAGR of 33.3% over FY19-21E.

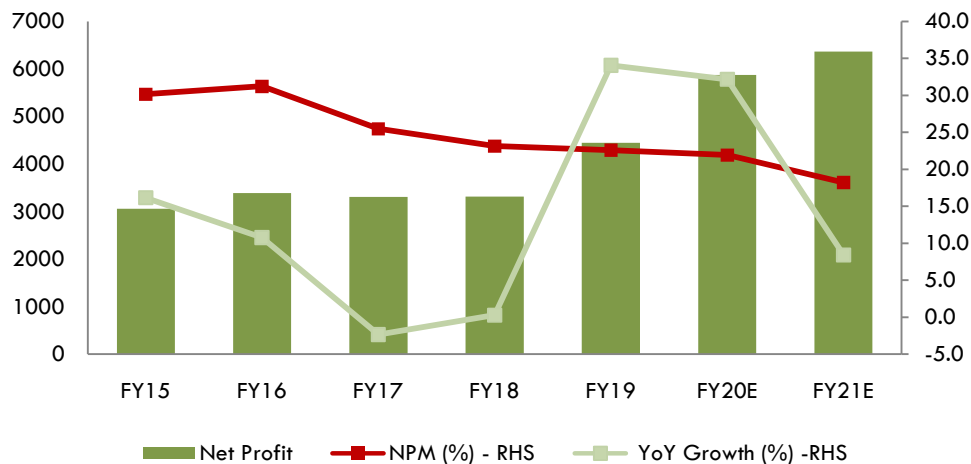
Despite subdued margins bottom-line is likely to record a steady growth on back of higher other income. Company as on 1HFY20 has a cash balance (owned fund) of ₹12.75bn. Going ahead with virtual zero debt and high amount of cash on Balance Sheet Other Income (mainly arising out of interest on FDs) should enhance RITES bottom-line. We therefore expect company's earnings CGAR at 19.7% over FY19-21E.

**Revenue likely to grow at 33.3% over FY19-FY21E**



Source- Company, Way2Wealth

**Net Profit likely to grow at 19.7% over FY19-FY21E**

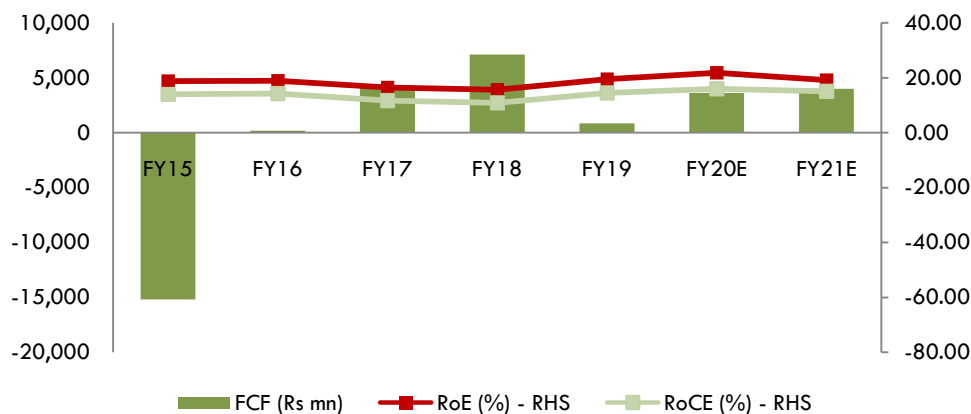


Source- Company, Way2Wealth

**4. Asset light business model, strong balance sheet with healthy return ratios makes a perfect investment bet**

RITES being a consulting firm works on an asset light model with Employees as its key asset. Company as on date has zero debt on its balance sheet with Debt/Equity at 0.5x. Company's working capital too remains light, with company receiving certain percentage of order as advance from MoR for commencement of project. We however believe exports to have higher requirement of working capital compared to EPC business which is further sub-contracted to local players. Therefore, we believe working capital will be key criteria affecting the return ratios and free cash-flow generation. We believe company's focus on keeping the mix balance should help company maintain its Return ratio (ROCE and ROE in the range of 15-20%), while free-cash flow generation will remain robust provided the mix remains healthy.

**Strong balance sheet to generate healthy free cashflows and +15% return ratios**



Source- Company, Way2Wealth

**5. Addressable market for RITES high with export opportunities**

We estimate the size of consultancy market at 1% of \$200bn which will be project-related infrastructure spending (even if 70% of \$1.44tn is maintained over the next five years). If the penetration rate moves upwards, we estimate RITES can scale up consultancy revenue by 30%, which is in line with the company's internal projections. The new avenue for infrastructure spending will be metros/high speed rail and conventional railway capex plans. Besides, Indian government's line of credit of \$15.6bn to foreign countries can open up lease and export opportunities.



## Planned improvement in rail infra along with overseas exports makes it a value BUY

RITES is a wholly owned Government Company, a Miniratna (Category – I) Schedule ‘A’ Public Sector Enterprise and a leading player in the transport consultancy and engineering sector in India and the only company having diversified services and geographical reach. Company has an experience spanning 44 years undertaking projects in over 55 countries including Asia, Africa, Latin America, South America and Middle East regions. Company is the only export arm of Indian Railways for providing rolling stock overseas except few nations.

We believe RITES is an investment idea to bet on India’s improving Rail infrastructure and to be a major beneficiary of Railway’s Capital outlay in coming years. The Company’s export division should emerge as a new growth driver while leasing and Turnkey Solutions (EPC) should add to growth. Turnkey business has lower margin compared to other business, however it has negative working capital, thereby remaining return lucrative. We therefore have built in steady financials over next 2 years factoring improving execution of Order-Book while factoring range-bound margins. Hence, we therefore expect Revenue/EBITDA/PAT to grow at 33.3%/9.6%/19.7% over FY19-21E.

### Peer Comparison

While there is no like to like peer of RITES Ltd, we have compared RITES Ltd with Engineers India Ltd (EIL). We believe with both companies engaging in consultancy segment albeit to different sectors, but both owned by Government of India with a similar revenue size can form the basis of comparison. While RITES revenue is lower compared to EIL, company’s EBITDA margin and Return ratios continues to excel. We believe going ahead valuation gap may squeeze as the government divests its stake in RITES Ltd. We, therefore initiate coverage with a **BUY** rating on the stock and have valued RITES on P/E of 15x FY21 EPS to arrive at a target price of ₹382 an upside of 27% from current levels.

| Financial Comparison | BITES  |        |        |        | ENGINEERS INDIA |        |        |        |
|----------------------|--------|--------|--------|--------|-----------------|--------|--------|--------|
|                      | FY18   | FY19   | FY20E  | FY21E  | FY18            | FY19   | FY20E  | FY21E  |
| Y/E Mar, Revenue     | 14,339 | 19,960 | 26,809 | 34,985 | 18,243          | 24,758 | 29,372 | 31,349 |
| Growth (%)           | 16.7   | 41.5   | 10.5   | 8.7    | 23.3            | 35.7   | 18.6   | 6.7    |
| EBITDA               | 3,651  | 5,167  | 5,710  | 6,210  | 4,275           | 3,725  | 4,700  | 5,623  |
| Growth (%)           | 16.7   | 41.5   | 10.5   | 8.7    | 36.0            | (12.1) | 25.1   | 20.1   |
| EBITDA Margin (%)    | 25.5   | 26.2   | 21.3   | 17.8   | 23.4            | 15.2   | 16.0   | 18.0   |
| Net Profit           | 3,317  | 4,447  | 5,877  | 6,369  | 3,833           | 3,729  | 4,608  | 5,369  |
| Growth (%)           | 16.1   | 32.0   | 32.2   | 8.4    | 16.2            | (2.7)  | 23.6   | 16.5   |
| EPS (₹)              | 13.3   | 17.8   | 23.5   | 25.5   | 6.1             | 5.9    | 7.3    | 8.5    |
| Book Value (₹)       | 110    | 119.2  | 120.9  | 146.3  | 37              | 37.1   | 44.4   | 52.9   |
| EV                   | 64,314 | 64,734 | 56,268 | 51,039 | 37,314          | 35,530 | 29,058 | 23,562 |

| Return Ratio (%) | BITES |      |      |      | ENGINEERS INDIA |        |        |        |
|------------------|-------|------|------|------|-----------------|--------|--------|--------|
| RoE              | 15.6  | 19.4 | 21.7 | 19.1 | 14.8            | 15.9   | 17.9   | 17.5   |
| RoCE             | 10.9  | 14.5 | 16.0 | 15.0 | 25.1            | 28.2   | 31.2   | 29.8   |
| RoIC             | 38.0  | 58.0 | 68.8 | 75.7 | (412.5)         | (98.5) | (93.5) | (96.3) |

| Valuation (x) | BITES |      |      |      | ENGINEERS INDIA |      |      |      |
|---------------|-------|------|------|------|-----------------|------|------|------|
| CMP (₹)       | 300   |      |      |      | 99              |      |      |      |
| P/E           | 22.6  | 16.9 | 12.8 | 11.8 | 16.4            | 16.8 | 13.6 | 11.7 |
| P/BV          | 2.7   | 2.5  | 2.5  | 2.1  | 2.7             | 2.7  | 2.2  | 1.9  |
| EV/EBITDA     | 17.6  | 12.5 | 9.9  | 8.2  | 8.7             | 9.5  | 6.2  | 4.2  |
| EV/Sales      | 4.5   | 3.3  | 2.1  | 1.5  | 2.0             | 1.4  | 1.0  | 0.8  |

## Key Risks

- **Slower than expected ramp-up in railway infrastructure** – With liquidity tightening in the NBFC space, investments in railways through the PPP model (Public Private Partnership) could hit a road-block.
- **Infrastructure bottleneck due to land acquisition issues** could slow down new lines addition in railways: Land acquisition is the major issue for laying new railway lines. Most of the railway projects are stuck due to a delay in land clearances.
- **Foray of international players in the domestic market to adversely impact domestic players** – Even though RITES has a strong hold on the railway and metro rail consultancy market there could be serious competition in case global players decide to participate in India's railway and metro rail boom
- **Business cyclical** – Infrastructure is cyclical in nature as it entirely depends on the investment momentum and economic performance of the country. India's economic growth is slowing down and there could be a chance of weakness for a couple of more years due to both micro and macro reasons. A long-term slowdown could impact the business performance of RITES.
- **Currency risk** – Exports accounts for 10-15% of the RITES total revenue. Any major currency fluctuation could impact the financial performance of the company
- **Inventory risk** –The company has an inventory of 56 diesel locomotives. The Indian Railways is working on full electrification and gradually replacing diesel locomotives with electric locomotives, which could be a threat to the existing inventory of RITES.

## Management Profile

**Mr. Rajeev Mehrotra**, aged 57 years, is the Chairman and Managing Director of since 11 October 2012. He has earned Bachelor's Honours degree in Accountancy and Business Statistics from Rajasthan University and is qualified as a Fellow Member of the Institute of Cost Accountants of India. He is associated with RITES since October 12, 2007. He has over 34 years of experience, out of which he has over 10 years of experience at the Board level in our Company. Also, he has worked with the National Hydroelectric Power Corporation Limited, Faridabad and Power Finance Corporation Limited, New Delhi in various capacities.

**Mr. Arbind Kumar**, aged 59 years, is the Director (Projects) of RITES since 01 June 2012. He holds a Bachelor's degree in Civil Engineering from Muzaffarpur Institute of Technology, a Diploma in Management from the Indira Gandhi National Open University, and is qualified as a Life Fellow of the Institution of Permanent Way Engineers (India). He has been associated with RITES since January, 2001. He has over 35 years of experience. He has also worked with the Indian Railways in various capacities, a private company in Malaysia through RITES, and for the Sultanate of Oman.

**Mr. Ajay Kumar Gaur**, aged 58 years, is the Director (Finance) of RITES since 02 September 2013. He holds a Bachelor's degree in Commerce (Honours). He is qualified as a fellow Member of the Institute of Chartered Accountants of India. He has been associated with RITES since January 21, 1985. He has over 33 years of experience. He has also worked with the Container Corporation of India Limited.

**Mr. Mukesh Rathore**, aged 58 years, is the Director (Technical) of RITES since 01 December 2016. He holds a Bachelor's degree in Mechanical Engineering from the University of Jabalpur and is qualified as a Fellow Member of the Institution of Engineers (India). He has been associated with Company since April 2000. He has over 36 years of experience.

**Financials**

(₹ mn)

| Income Statement  | FY18          | FY19          | FY20E         | FY21E         |
|---|---------------|---------------|---------------|---------------|
| <b>Total Revenues</b>   | <b>14,339</b> | <b>19,690</b> | <b>26,809</b> | <b>34,985</b> |
| <b>Total Expense</b>  | <b>10,687</b> | <b>14,522</b> | <b>21,099</b> | <b>28,775</b> |
| Operating Expenses  | 4,480         | 8,568         | 13,914        | 18,559        |
| Employee Cost   | 4,562         | 4,836         | 5,898         | 8,396         |
| Other Expenses  | 1,645         | 1,118         | 1,287         | 1,819         |
| <b>EBITDA</b>   | <b>3,651</b>  | <b>5,167</b>  | <b>5,710</b>  | <b>6,210</b>  |
| Depreciation  | 302           | 322           | 429           | 565           |
| <b>EBIT</b>   | <b>3,350</b>  | <b>4,846</b>  | <b>5,281</b>  | <b>5,645</b>  |
| Interest  | 27            | 30            | 24            | 18            |
| Other Income  | 1,525         | 1,952         | 2,792         | 2,885         |
| <b>PBT</b>  | <b>4,848</b>  | <b>6,767</b>  | <b>8,049</b>  | <b>8,512</b>  |
| Tax   | 1,530         | 2,321         | 2,172         | 2,142         |
| <b>Net Earnings (Loss) After Provision for Losses/write offs/ Tax (PAT)</b> | <b>3,317</b>  | <b>4,447</b>  | <b>5,877</b>  | <b>6,369</b>  |

(₹ mn)

| Balance Sheet  | FY18          | FY19          | FY20E         | FY21E         |
|--|---------------|---------------|---------------|---------------|
| <b>Sources of Funds</b>                                |               |               |               |               |
| Equity Capital   | 2,000         | 2,000         | 2,500         | 2,500         |
| Reserves & Surplus                                     | 19,991        | 21,838        | 27,715        | 34,084        |
| <b>Net Worth</b>                                       | <b>21,991</b> | <b>23,838</b> | <b>30,215</b> | <b>36,584</b> |
| L.T Borrowings   | 2,677         | 1,874         | 1,813         | 1,733         |
| S.T Borrowings   | 22,282        | 22,496        | 22,357        | 22,337        |
| <b>Total Debt</b>                                      | <b>24,958</b> | <b>24,370</b> | <b>24,170</b> | <b>24,070</b> |
| Deferred Tax Liability (Net of Deferred Tax Assets)    | (584)         | (740)         | (740)         | (740)         |
| <b>Total Capital Employed</b>                          | <b>46,366</b> | <b>47,468</b> | <b>53,644</b> | <b>59,914</b> |
| <b>Applications of Funds</b>                           |               |               |               |               |
| Net Block  | 2,639         | 3,393         | 4,531         | 5,934         |
| CWIP   | 20            | 39            | 44            | 49            |
| Investments  | 4,374         | 3,605         | 3,805         | 3,955         |
| <b>Current Assets, Loans &amp; Advances</b>            |               |               |               |               |
| Inventories  | 94            | 1,049         | 1,322         | 1,677         |
| Receivables  | 4,587         | 5,858         | 7,712         | 9,393         |
| Cash and Bank Balances                                 | 35,695        | 34,686        | 42,952        | 48,081        |
| Loans and Advances                                     | 2,380         | 3,178         | 4,334         | 5,655         |
| <b>Total: Current Assets, Loans &amp; Advances</b>     | <b>42,756</b> | <b>44,771</b> | <b>56,320</b> | <b>64,806</b> |
| <b>Current Liabilities &amp; Provisions</b>            |               |               |               |               |
| Payables   | 1,524         | 1,944         | 2,859         | 4,017         |
| Other Current Liabilities                              | 2,655         | 2,400         | 3,621         | 4,830         |
| <b>Total: Current Liabilities &amp; Provisions (-)</b> | <b>4,179</b>  | <b>4,344</b>  | <b>6,480</b>  | <b>8,847</b>  |
| <b>Net Current Assets</b>                              | <b>38,577</b> | <b>40,427</b> | <b>49,839</b> | <b>55,959</b> |
| <b>Total Assets</b>                                    | <b>46,366</b> | <b>47,468</b> | <b>53,644</b> | <b>59,914</b> |

(₹ mn)

| Cash Flow Statement                                | FY18           | FY19           | FY20E          | FY21E          |
|--|----------------|----------------|----------------|----------------|
| <b>Net Profit / (Loss) Before Tax</b>              | <b>4,848</b>   | <b>6,767</b>   | <b>8,049</b>   | <b>8,512</b>   |
| Depreciation                                       | 302            | 322            | 429            | 565            |
| Net Interest                                       | 27             | 30             | 24             | 18             |
| Direct Taxes Paid                                  | (1,530)        | (2,321)        | (2,172)        | (2,142)        |
| Change in Working Capital (Non-Cash)               | 3,802          | (2,859)        | (1,146)        | (991)          |
| <b>(A) Net Cash Flow from Operating Activities</b> | <b>7,448</b>   | <b>1,940</b>   | <b>5,183</b>   | <b>5,962</b>   |
| Capex {Inc./ (Dec.) in Fixed Assets n WIP}         | (347)          | (1,093)        | (1,572)        | (1,973)        |
| <b>Free Cash Flow</b>                              | <b>7,101</b>   | <b>847</b>     | <b>3,611</b>   | <b>3,989</b>   |
| Inc./ (Dec.) in Investments                        | (1,217)        | (770)          | 200            | 150            |
| <b>(B) Cash Flow from Investing Activities</b>     | <b>(1,564)</b> | <b>(1,862)</b> | <b>(1,371)</b> | <b>(1,822)</b> |
| Issue of Equity/ Preference                        | 0              | 0              | 500            | 0              |
| Inc./ (Dec.) in Debt                               | 1,629          | (589)          | (200)          | (100)          |
| Interest exp net                                   | (27)           | (30)           | (24)           | (18)           |
| Dividend Paid (Incl. Tax)                          | (1,287)        | (2,983)        | (3,986)        | (4,320)        |
| <b>(C) Net Cash Flow from Financing Activities</b> | <b>315</b>     | <b>(3,602)</b> | <b>(3,710)</b> | <b>(4,438)</b> |
| Net Change in Cash                                 | 7,166          | (1,009)        | 8,266          | 5,129          |
| Opening Cash balances                              | 28,529         | 35,695         | 34,686         | 42,952         |
| Closing Cash balances                              | 35,695         | 34,686         | 42,952         | 48,081         |

| Ratios                                      | FY18   | FY19   | FY20E  | FY21E  |
|---|--------|--------|--------|--------|
| <b>(A) Margin (%)</b>                       |        |        |        |        |
| EBIDTA Margin (excl. O.I.)                  | 25.5   | 26.2   | 21.3   | 17.8   |
| EBIDTA Margin (incl. O.I.)                  | 36.1   | 36.2   | 31.7   | 26.0   |
| EBIT Margin                                 | 23.4   | 24.6   | 19.7   | 16.1   |
| Interest/Sales                              | 0.2    | 0.2    | 0.1    | 0.1    |
| Tax Rate                                    | 31.6   | 34.3   | 27.0   | 25.2   |
| Net Profit Margin                           | 23.1   | 22.6   | 21.9   | 18.2   |
| <b>(B) As Percentage of Net Sales</b>       |        |        |        |        |
| Operating Expenses                          | 31.2   | 43.5   | 51.9   | 53.1   |
| Employee Expenses                           | 31.8   | 24.6   | 22.0   | 24.0   |
| Other Expenses                              | 11.5   | 5.7    | 4.8    | 5.2    |
| <b>(C) Measures of Financial Status (x)</b> |        |        |        |        |
| Debt / Equity                               | 1.1    | 1.0    | 0.8    | 0.7    |
| Interest Coverage                           | 191.0  | 234.2  | 351.8  | 503.8  |
| Average Cost of Debt (%)                    | 0.1    | 0.1    | 0.1    | 0.1    |
| Debtors days                                | 116.8  | 108.6  | 105.0  | 98.0   |
| Inventory days                              | 2.4    | 19.5   | 18.0   | 17.5   |
| Fixed Assets Turnover                       | 4.0    | 4.2    | 4.3    | 4.3    |
| Working Capital Turnover                    | 0.4    | 0.5    | 0.5    | 0.6    |
| Non-Cash Working Capital (₹ Mn)             | 2,882  | 5,741  | 6,887  | 7,878  |
| <b>(D) Measures of Investment</b>           |        |        |        |        |
| EPS (₹) (excl EO)                           | 13.3   | 17.8   | 23.5   | 25.5   |
| CEPS (₹)                                    | 14.5   | 19.1   | 25.2   | 27.7   |
| DPS (₹)                                     | 5.5    | 12.8   | 13.6   | 14.8   |
| Dividend Payout (%)                         | 41.5   | 71.7   | 58.0   | 58.0   |
| Profit Ploughback (%)                       | 58.5   | 28.3   | 42.0   | 42.0   |
| Book Value (₹)                              | 110.0  | 119.2  | 120.9  | 146.3  |
| RoANW (%)                                   | 15.6   | 19.4   | 21.7   | 19.1   |
| RoACE (%)                                   | 10.9   | 14.5   | 16.0   | 15.0   |
| RoAIC (%) (Excl Cash & Invest.)             | 38.0   | 58.0   | 68.8   | 75.7   |
| <b>(E) Valuation Ratios</b>                 |        |        |        |        |
| CMP (₹)                                     | 300    | 300    | 300    | 300    |
| P/E (x)                                     | 22.6   | 16.9   | 12.8   | 11.8   |
| Market Cap. (₹ Mn)                          | 70,050 | 70,050 | 70,050 | 70,050 |
| MCAp/ Sales (x)                             | 5.2    | 3.8    | 2.8    | 2.1    |
| EV (₹ Mn.)                                  | 64,314 | 64,734 | 56,268 | 51,039 |
| EV/Sales (x)                                | 4.5    | 3.3    | 2.1    | 1.5    |
| EV/EBDITA (x)                               | 17.6   | 12.5   | 9.9    | 8.2    |
| P/BV (x)                                    | 2.7    | 2.5    | 2.5    | 2.1    |
| FCF/Yield (%)                               | 11.6   | 0.3    | 4.5    | 5.2    |
| Dividend/Yield (%)                          | 1.8    | 4.2    | 4.5    | 4.9    |
| EBITDA/OCF (x)                              | 0.5    | 2.7    | 1.1    | 1.0    |
| EBITDA/Free cash flow (x)                   | 0.5    | 6.1    | 1.6    | 1.6    |

**Team**

| <b>Analyst</b>      | <b>Designation</b>   | <b>Sector</b>                  | <b>Email</b>                   | <b>Telephone</b> |
|---------------------|----------------------|--------------------------------|--------------------------------|------------------|
| Alok Ranjan         | Head – Research      |                                | alokranjan@way2wealth.com      | +9122-61462902   |
| Jayakanth Kasthuri  | Research Analyst     | Capital Goods& Logistics       | jayakanthk@way2wealth.com      | +9122-40192914   |
| Ashwini Sonawane    | Research Associate   | FMCG                           | ashwinisonawane@way2wealth.com | +9122-40192956   |
| Yogita Desai        | Research Analyst     | Chemicals & Building Materials | yogitadesai@way2wealth.com     | +9122-40192910   |
| Harshil Gandhi      | Research Analyst     | BFSI                           | harshilgandhi@way2wealth.com   | +9122-40192915   |
| <b>Institutions</b> | <b>Designation</b>   |                                | <b>Email</b>                   | <b>Telephone</b> |
| Kaushal Jaini       | Vice President       |                                | kaushaljaini@way2wealth.com    | +9122-40192916   |
| Manisha Panchal     | Institutional Dealer |                                | manishapanchal@way2wealth.com  | +9122-40192984   |



**Disclaimer**

**Analyst Certification:** I, Jayakanth Kasthuri, research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Jayakanth Kasthuri, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

**Disclosure of Interest Statement in BITES Ltd.as on January 02, 2020**

|  |                    |
|--|--------------------|
| Name of the Security   | <b>BITES Ltd.</b>  |
| Name of the Analyst  | Jayakanth Kasthuri |
| Analysts' ownership of any stock related to the information contained  | NIL                |
| Financial Interest   |                    |
| Analyst :  | No                 |
| Analyst's Relative : Yes / No  | No                 |
| Analyst's Associate/Firm : Yes/No                                      | No                 |
| Conflict of Interest   | No                 |
| Receipt of Compensation  | No                 |
| Way2Wealth ownership of any stock related to the information contained | NIL                |
| Broking relationship with company covered                              | NIL                |
| Investment Banking relationship with company covered                   | NIL                |

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.