RITES Ltd

Sensex	78,955
Nifty	24,636

Key Stock Data	
Close*	231
Market Cap (₹ bn)	11.1
52W High/Low	281/175
Shares o/s (mn.)	480.6
NSE Code	RITES
BSE Code	541556
Bloomberg	RITE:IN

Close as on 6th Aug 2026*

Shareholding Pattern	**Jun'26 (%)**
Promoters	72.20
FIIs	3.43
DIIs	8.74
Public & Others	15.63

(₹mn)

	2024	2025	2026	2027E	2028E
Revenue	24,529	22,178	24,151	29,425	35,861
EBITDA	6,610	5,430	5,541	7,135	7,766
EBITDA Margin	27%	24%	23%	24%	23%
PAT	4,950	4,240	4,544	4,674	5,673
EPS	9.48	8.01	8.54	9.85	12.05
ROE	18.97	16.05	15.4	17.6	21.4
P/E	35.01	27.89	20.57	16.95	17.31

Source: Company, Way2Wealth

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Q1FY27 Result Highlights

- **Overall Business Outlook & Strategic Positioning**
  - Q1FY27 revenue grew ~9-10% YoY, PAT grew ~8% YoY.
  - Order book at all-time high of ₹94.5bn as of 30th June.
  - Q1 order inflow: 128 orders worth ₹6700mn, maintaining strike rate of ~1.4 orders/day.
  - ~70% of fresh order inflows continue to be won on a competitive bidding basis.
  - Management reiterated FY27 guidance of substantial growth over FY26 but flagged need to "step on the gas" on execution through the coming quarters to meet full-year targets.
  - Target of reaching ₹100bn order book maintained despite heavy execution planned for the year.
- **Consultancy Segment**
  - Consultancy + export (non-turnkey) portion is roughly 50% of order book (~₹47bn).
  - QA (Quality Assurance) business delivered steady revenue of ~₹700mn in Q1, tracking to beat FY26 full-year levels by double-digit growth.
- **Turnkey Segment**
  - Turnkey remains ~50% of order book (~₹47bn) and contributed ~30-33% of Q1 revenue, but at structurally low margins of ~1.5-2%.
  - Management reiterated RITES is a consultancy company, not a construction company; turnkey margin dilution is purely an accounting effect turnkey order/revenue recognition includes the full project value, whereas consultancy/PMC mode recognizes only the fee component for the same scope of work.
  - Certain clients prefer turnkey structure for single-point-of-contact and compliance (e.g., GST) reasons, which is why RITES continues to take select turnkey mandates.
  - Management does not expect turnkey to exceed ~50% of order book on average going forward, given parallel growth in consultancy and exports.
- **Export Segment**
  - Total export order book stood at ~₹9000mn, ~50% of RITES' non-turnkey order book, driven by the Bangladesh coach order (200 coaches, ~10 rakes); balance is locomotive orders (Mozambique and other African geographies).
  - First rake dispatch for Bangladesh order delayed due to first-of-type approval timelines; subsequent rakes expected to move faster now that designs are approved. Full Bangladesh order execution now expected to spill into FY28 (targeted completion by Q2/Q3 FY28).
  - Mozambique locomotive deliveries targeted to begin by FY27-end; more clarity expected by Q2 FY27.
  - FY27 export revenue guidance: minimum ₹3000mn+ (~15% of total revenue), to be refined by Q2.
  - New export win: South Africa locomotive order (~$35mn, 9 locomotives) secured in Jul'26 not yet reflected in the order book pending formal agreement signing.
  - Exploring Vande Bharat exports on standard-gauge platform; early-stage discussions initiated with Indian Railways on prototype development.
  - Management targeting sustained run-rate of ~1 export order per quarter (maintained for 7-8 consecutive quarters).
- **Margins & Profitability**
  - Consolidated EBITDA margin at 22% (flat QoQ); PAT margin at ~17% (flat QoQ).
  - Management reiterated profitability guardrails: EBITDA margin floor ~20%, PAT margin floor ~15% on an annual basis.
  - Three structural pressures flagged on margins: (1) rising share of competitively bid

orders (~70% of fresh inflows) carrying tighter margins, (2) elevated travel costs (inherent to consultancy model), (3) impending pay revision provisioning.

- Employee costs up to ~100mn YoY in Q1; headcount up ~450 YoY (2,675 to 3,125) to build execution bench strength ahead of order ramp-up, with a further pipeline of 200+ hires.
- FY27 employee cost growth guided at 8-10% (not as high as 20%), inclusive of pay revision impact.

➢ **RMCL / Renewable Energy Business**

- Q1 PAT of ~₹220mn, at >50% PAT margin.
- Dividend payout ratio of ~90-91%; RITES received ~₹100mn dividend from RMCL in Q1.
- Continued early-stage diversification into international and domestic renewable energy consultancy; management expects meaningful contribution to RMCL's top and bottom line by FY27-end.

➢ **Order Book, Execution & Capex Outlook**

- Order book at ₹94.5bn as of 30th June, broadly flat vs FY26 exit level of ₹94,160mn, with target of reaching ₹100bn by FY27-end.
- No change signaled to dividend payout policy; asset-light, debt-free, low-capex model reaffirmed.

View

We had initiated Rites on 2nd January 2020 when the price stood at ₹154, it went to a high of ₹395 and retraced back down to now ₹228. We believe the current quarter reflects early-stage execution of a structurally larger order book, with earnings yet to fully reflect the backlog. Growth ahead should be driven by export ramp-up (Bangladesh coaches, African locomotive opportunities), turnkey recovery as IIT/IIM and rail infra projects enter peak execution, and steady consultancy diversification across non-Railway verticals.

However, an increasing share of competitively bid orders (~70% of fresh inflows, ~63% of order book) is structurally compressing margins, and management has guided profit growth will lag revenue growth, with peak profitability not expected for another 2-3 years. Execution timelines on Bangladesh and Mozambique have already slipped versus prior guidance, while headcount (+17% YoY) and pay-revision costs are building ahead of confirmed revenue delivery.

At the current price, RITES trades at ~26x P/E, which is above its historical average PE of 15.6x, offering limited cushion for this execution and margin risk. Given limited near-term upside and a balanced risk-reward profile, **we suggest PROFIT BOOKING and will revisit as execution visibility on exports and turnkey recovery improves.**

FINANCIALS

(₹ mn)

PARTICULARS (₹ MN)	Q1FY27	Q1FY26	YOY CHG (%)	Q4FY26	QOQ CHG (%)	FY26
Net Sales	5,322	4,897	9%	7,683	-31%	24,151
EBITDA	1,147	1,142	0%	1,682	-32%	5,541
EBITDA margin (%)	21.5%	23.3%	-176bps	21.9%	-34bps	22.9%
Other income	285	220	30%	310	-8%	1,095
Depreciation	166	155	7%	165	0%	660
Interest	8	14	-42%	9	-8%	38
Pre-tax profit	1,306	1,216	7%	1,858	-30%	6,078
Tax (current+deferred)	328	307	7%	464	-29%	1,533
PAT	978	909	8%	1,394	-30%	4,544

Source: Company, Way2Wealth

SEGMENTAL REVENUE	Q1FY27	Q1FY26	YOY CHG (%)	Q4FY26	QOQ CHG (%)	FY26
Consultancy	3,000	2,902	3%	3,624	-17%	13,097
Exports	10	34	-69%	1,905	-99%	3,163
Leasing	487	426	14%	436	12%	1,721
Turnkey Projects	1,764	1,484	19%	1,686	5%	6,024
Power generation	60	52	15%	32	92%	146

Source: Company, Way2Wealth

SEGMENTAL EBIT	Q1FY27	Q1FY26	YOY CHG (%)	Q4FY26	QOQ CHG (%)	FY26
Consultancy	1,121	1,116	1%	1,404	-20%	5,175
Exports	4	(8)	-148%	363	-99%	502
Leasing	186	164	13%	161	15%	600
Turnkey Projects	24	23	6%	40	-40%	97
Power generation	13	14	-7%	(16)	-184%	(16)

Source: Company, Way2Wealth

EBIT MARGIN %	Q1FY27	Q1FY26	BPS CHG	Q4FY26	BPS CHG	FY26
Consultancy	37.4%	38.4%	-107bps	38.7%	-137bps	39.5%
Exports	36.9%	-23.6%	6048bps	19.1%	1782bps	15.9%
Leasing	38.1%	38.4%	-32bps	37.0%	111bps	34.9%
Turnkey Projects	1.4%	1.5%	-17bps	2.4%	-100bps	1.6%
Power generation	22.2%	27.5%	-535bps	-50.8%	-2861bps	-11.2%

Source: Company, Way2Wealth

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Name of the Security	**RITES Ltd.**
Name of the analyst	**Ashwini Sonawane**
Analysts' ownership of any stock related to the information contained Financial Interest Analyst : Analyst's Relative : Yes / No Analyst's Associate/Firm : Yes/No	No No No No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
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