

RITES Ltd

Sensex	60,574
Nifty	18,089

Key Stock Data

CMP	₹288.9/-
Target Price	₹330(+14.2%)
Market Cap (₹mn.)	₹69,423
52W High/Low	318/232
Shares o/s (mn.)	240.3
NSE Code	RITE:IN
BSE Code	RITES
Bloomberg	541556

Shareholding Pattern Sep'21 (%)

Promoters	72.2
DII's	16.5
FII's	1.1
Public	10.2

(₹ mn)

	FY19	FY20	FY21	H1 FY22
Net Sales	19,690	24,006	17,974	10,657
EBIDTA	5,167	6,021	4,598	2,756
EBIDTA Margin (%)	26.2	25.1	25.6	25.9
PAT	4,447	5,964	4,244	2,336
EPS (₹)	18.5	24.8	17.7	9.7
DPS (₹)	13.0	16.0	13.0	6.0
RoE (%)	19.4	20.4	17.7	
RoCE (%)	28.1	30.5	15.7	
P/E (x)	15.6	11.6	16.4	
EV/EBITDA (x)	5.8	3.9	5.2	
P/BV (x)	2.3	2.6	3.7	

Source: Company, Way2Wealth Research

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Summary

RITES reported Q2FY22 Revenue stood at ₹7.6bn (+72%YoY / +113% QoQ). This is led by better higher Exports revenue at ₹3.4bn compared ₹7mn QoQ. Consultancy /Leasing execution was up 5% /22% YoY at ₹2.6bn / ₹0.3bn. Exports segment is back on track and has started picking up. Company has done ~₹3300mn revenue till now. It is aiming at ₹7000-7500mn revenue in exports FY22 and going forward it expects the trend to continue till the middle of FY23. New opportunity is expected from metro consultancy order and 2-3 international orders of US\$100mn each. Company has also getting Turnkey projects across the zonal railways. Highway and metros orders have matured and company also have some orders will get finalized in Q3FY22; hence order book is likely to expand. RITES expect revenue to reach FY20 levels in terms of FY22 revenue and with more contribution of exports.

Key Highlights for Quarter

- **Exports back on track; Consultancy & Leasing execution improves in Q2FY22** – RITES reported Q2FY22 Revenue stood at ₹7.6bn (+72%YoY / +113% QoQ). This is led by better higher Exports revenue at ₹3.4bn compared ₹7mn QoQ. Consultancy /Leasing execution was up 5% /22% YoY at ₹2.6bn / ₹0.3bn. Consolidated EBITDA margin stood at 28.6% compared to 29% YoY and was higher QoQ of 27.3%. EBITDA increased by 69% YoY at ₹2.1bn. PAT stood at ₹1.7bn (+32% YoY / +124% QoQ). RITES exports segment is back on track and has started picking up. Company has done ~₹3300mn revenue till now. It is aiming at ₹7000-7500mn revenue in exports FY22 and going forward it expects the trend to continue till the middle of FY23 (presuming no set back)
- **Management does see much impact from Railways new circular** – Q2FY22 Order at ₹2.5bn/₹10bn/₹1bn/₹28bn/₹1bn. New opportunity is expected from metro consultancy order and 2-3 international orders of US\$100mn each. Company has also getting Turnkey projects across the zonal railways. Highway and metros orders have matured and company also have some orders will get finalized in Q3FY22; hence order book is likely to expand. With respect to the recent circular of Railway board on private sector competition, RITES doesn't see much impact on the order inflow or weakness in margin going ahead. On Domestic consultancy front, RITES with healthy order book is expecting to reach ₹10bn (FY20 levels) in FY22. Also has scope to bring it further up with NIP, NRP and NMP; all has Railways has major chunk of capex. Company looking at major opportunities and expects to leverage and capitalize the opportunities. On Station development JV front, company has got notice for its closure and the process has already started and expects it to get completed in the coming months. RITES have invested ₹24cr till date.
- **Capex guidance for FY22 stood at ₹1000mn with ₹690mn already done in 1HFY22.** On cash front, RITES has been maintaining healthy cash balance (Owned - ₹6,863.3; Clients - ₹21,781.1mn) with healthy 2nd interim dividend of ₹4 per share (1st interim dividend of ₹2 per share on 18 August 2021) and is in-line with the cash balance. RITES expect revenue to reach FY20 levels in terms of FY22 revenue and with more contribution of exports, margin are expected to go up.

View

The company expects execution to pick up in Q2FY22 as it has secured new orders worth ₹2.6bn in Q2FY22. Consultancy segment is growing and RITE expects revenue increase at 10% pa over the next 3-4 years. For Turnkey segment, company expects revenue to improve on QoQ and stabilize in Q4FY22. Going forward, company is targeting to improve margins at ~3% for turnkey. Major driver for the stock is increase in project execution in 2HFY22 and order wins from competitive bidding. Thus, we view it as an **ACCUMULATE** with a fair value of ₹320-330 on a long term perspective, considering it has cash balances of ₹28.6bn, nil long term debt and expectation of new orders both in domestic and international markets.

Financials

	Q2FY22	Q2FY21	VAR [%]	Q1FY22	VAR [%]	1HFY22	1HFY21	VAR [%]
(₹ mn)								
Revenue from Operations	7,336	4,224	73.7	3,321	120.9	10,657	7,449	43.1
Employee Expenses	1,299	1,131	14.9	1,198	8.5	2,497	2,318	7.7
Employee Exps. as a %age of sales	17.7	26.8		36.1		23.4	31.1	
Travel	101	70.3	43.1	73	37.4	174	108.1	60.8
Travel as a %age of sales	1.4	1.7		2.2		1.6	1.5	
Supply & Services	1,432	1,668	(14.1)	1,125	27.3	2,558	2890	(11.5)
Supplies & Services as a %age of sales	19.5	39.5		33.9		24.0	38.8	
Export Purchases	1,329	106	1,154.9	1,067	24.6	2,396	106.5	2,149.5
Export Purchases as a %age of sales	18.1	2.5		32.1		22.5	1.4	
Inventory Changes of Stock in Trade	879	(105)	936.8	(1,063)	(182.6)	(185)	(106)	74.9
Other Expenses	318	181	76.2	143	122.2	462	427	8.2
Other Expenses as a %age of sales	4.3	4.3		4.3		4.3	5.7	
EBIDTA	1,978	1,173	68.6	778	154.1	2,756	1,705	61.7
EBITDA Margins %	27.0	27.8	(82)	23.4	353	25.9	22.9	298
Other Income	334	654	(49.0)	269	24.2	602	1,066	(43.5)
Depreciation	117.3	109.8	6.8	113	3.8	230.3	219.4	5.0
EBIT	2,194	1,718	27.7	934	135.0	3,128	2,551	22.6
Interest	11	4.6	137.0	3	319.2	14	11.8	14.4
PBT	2,183	1,713	27.5	931	134.5	3,114	2,540	22.6
Tax	552	406	36.1	226	143.8	778	631	23.4
Profit After Tax	1,631	1,307	24.8	705	131.5	2,336	1,909	22.4
EPS	6.8	5.2		2.9		9.7	7.6	

Source: Company, Way2Wealth Research

Segmental Performance

	Q2FY22	Q2FY21	VAR[%]	Q1FY22	VAR [%]	1HFY22	1HFY21	VAR [%]
(₹ mn)								
REVENUES								
Consultancy-Domestic	2,231	2,185	2.1	1,838	21.4	4,069	3,953	2.9
Consultancy-Abroad	271	236	14.7	206	31.2	477	317	50.4
Export Sales	3,410	0.3	1,136,500.0	7	52,358.5	3,416	5	68,226.0
Leasing-Domestic	326	267	22.4	323	1.1	649	502	29.3
Turnkey Cons Proj-Domestic	1,099	1,536	(28.5)	948	15.9	2,046	2,672	(23.4)
Total Segment Revenue	7,336	4,224	73.7	3,321	120.9	10,657	7,449	43.1
EBIT								
Consultancy-Domestic	923	982	(6.0)	710	30.0	1,633	1,797	(9.1)
Margin %	41.4	44.9		38.6		40.1	45.5	
Consultancy-Abroad	171	166	3.5	124	38.4	295	169	74.7
Margin %	63.4	70.2		60.1		61.9	53.3	
Export Sales	877	(26)	3,497.3	(39)	(2,376.6)	838	(60)	1,496.7
Margin %	25.7	(8,600.0)		(592.3)		24.5	(1,200.0)	
Leasing-Domestic	124	86	44.5	134	(7.0)	258	159	62.8
Margin %	38.1	32.3		41.5		39.8	31.6	
Turnkey Cons Proj-Domestic	20	55	(64.1)	20	(2.0)	40	106	(62.3)
Margin %	1.8	3.6		2.1		1.9	4.0	

Source: Company, Way2Wealth Research

Past Performance & Future Forecasting

	(₹ mn)					
	FY18	FY19	FY20	FY21	FY22E	FY23E
Net Sales	14,339	19,690	24,006	17,974	22,949	26,949
EBIDTA	3,651	5,167	6,021	4,598	5,428	6,052
EBIDTA Margin (%)	25.5	26.2	25.1	25.6	23.7	22.5
PAT	3,317	4,447	5,964	4,244	5,259	5,587
EPS (₹)	13.8	18.5	24.8	17.7	21.9	23.3
DPS (₹)	5.5	12.8	16.0	13.0	12.0	13.0
RoE (%)	15.6	19.4	20.4	17.7	20.6	21.3
RoCE (%)	10.9	28.1	30.5	15.7	16.1	17.3
P/E (x)	20.9	15.6	11.6	16.4	13.2	12.4
EV/EBITDA (x)	9.2	5.8	3.9	5.2	3.6	2.6
P/BV (x)	2.6	2.5	2.8	2.9	2.8	2.6
Debt / Equity	1.1	1.0	0.9	1.0	0.8	0.5
Interest Coverage	191	234	272	137	160	207
Cash Balances	35,695	34,686	36,308	33,632	52,581	63,068

Source: Company, Way2Wealth Research

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Name of the Security	BITES Ltd.
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	No
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
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