



Impressive and strong background

The Company is an Information and communications technology ("ICT") infrastructure provider and are one of the largest neutral telecom infrastructure providers in India (Source: CRISIL Report). RailTel is a Mini Ratna (Category-I) Central Public Sector Enterprise, wholly-owned by the Government of India and under the administrative control of the Ministry of Railways. The Company was incorporated on September 26, 2000 with the aim of modernizing the existing telecom system for train control, operation and safety and to generate additional revenues by creating nationwide broadband and multimedia network by laying optical fiber cable by using the right of way along railway tracks. Railtel has successfully completed a number of long-term projects for provision of ICT services across India. These include the NKN and Bharat Net (formerly, the National Optical Fiber Network) projects for providing high capacity bandwidth pipes and laying optical fiber cable for connectivity of gram panchayats in India.

RailTel among the largest neutral telecom infrastructure providers in India with pan-India optic fiber network

The Company is one of the largest neutral telecom infrastructure providers in India (Source: CRISIL Report). As of January 31, 2021, RailTel had exclusive right of way along 67,415 route kilometers connecting 7,321 railway stations for laying optical fiber cable. As of January 31, 2021, its optical fiber network covers 59,098 route kilometers and covers 5,929 railway stations across towns and cities in India. The transport network is built on high capacity dense wavelength division multiplexing ("DWDM") technology and an Internet protocol/ multi-protocol label switching ("MPLS") network over it to support mission critical communication requirements of Indian Railways and other customers. The Company has city wide access network that stands at over 18,000 kilometers as of January 31, 2021. It offers high capacity bandwidth of up to 800G at 87 locations in India, as of January 31, 2021. RailTel offers leased line and VPN facilities and also provide IP-1 services. This allows RailTel it to offer a unique proposition to telecom service providers in India. RailTel also undertakes various ICT projects for the Indian Railways, central government and state governments, including various train control system projects for Indian Railways.

Diversified portfolio of services and solutions

- a) Telecom Network Services - National Long Distance ("NLD") Services
- b) Telecom Infrastructure Services
- c) Managed Data Center and Hosting Services
- d) Projects (System Integration Services)

The Company offers a diversified portfolio of ICT services and solutions including MPLS-VPN, leased lines services, TPaaS, eOffice services and data center services, large network hardware system integration, software and digital services. In addition to laying optical fiber cable network, its transport network is built on high capacity DWDM and an IP/ MPLS network over it to support communication requirements of the Indian Railways and other key customers. The Company has also built its optical fiber cable network across cities and towns in India to provide end-to-end bandwidth services through leased circuits, MPLS-VPN ports or Internet bandwidth ports. The Company has also entered into agreements with telecom companies and MSOs to lease bandwidth and offer last mile optical fiber cable network connectivity across cities and towns in India.

Key partner to Railways in digital transformation

RailTel serve as a key network for the Indian Railways (Source: CRISIL Report). They provide a variety of services to the Indian Railways and have implemented MPLS data network for integrated payroll and accounting system, unreserved ticketing system, freight operations information system and coaching operations information systems. As of December 31, 2020, their MPLS-VPN for railways intranet aggregated to over 74.7 Gbps capacity and Internet to over 25.06 Gbps capacity. The company focuses on expanding its network and data centre services. It is working with the Railways on major projects including LTE network, high-speed mobile corridor, and live feed video surveillance. The company is responsible for upgradation of RailNet over a WAN by providing centralized mailing system and security systems through the supply, installation and commissioning of IP-MPLS network at divisions, zones, production units and central training units of the Indian Railways. The company is also working with the Indian Railways to transform railway stations into digital hubs by providing public Wi-Fi at railway stations across India.

Consistent record of financial performance

The Company has been profitable since FY07 and has consistently declared and paid dividends since FY08. The Company's net profit margin of 12.50 percent in FY20 was the

Issue date	Feb. 16 – Feb. 18, 2021
Price Band	Rs. 93 - Rs. 94 (Face value: Rs. 10)
Bid lot	155 equity shares and in multiples of thereof
Issue type and size	Offer for sale of 8,71,53,369 equity shares aggregating up to Rs. 819.24 crores
Issue structure	QIB – 50 %, NIB – 15%, Retail – 35%
Promoter holding	Pre issue: 100%, Post issue: 72.8%
Post issue shares	32.09 crore equity shares
Post issue market cap	Rs. 3017 crores
BRLM	ICICI Securities, IDBI Capital, SBI Cap
Registrar to the issue	KFintech Technologies Private Limited

Particulars (Rs. crores)	H1FY21	FY20	FY19	FY18
Net Sales	537	1,128	1,003	977
EBITDA	130	334	302	264
EBITDA (%)	24.2	29.6	30.1	27.0
Profit after tax	46	141	135.4	134
PAT margin (%)	8.5	12.5	13.5	13.7
Equity share cap.	320.9	320.9	320.9	320.9
Networth	1,395	1,369	1,289	1,229
Post IPO EPS (Rs.)	1.4	4.40	4.22	4.18
P/E (x)	-	21.4	22.3	22.5
P/BV (x)	-	2.2	2.3	2.5
RoE (%)	-	10.3	10.5	10.9
WC cycle (days)	-	42	70	73

Source: RHP, # denotes P/E and ROE on annualised H1FY21 numbers

highest among the Key Telecom Companies and Key IT/ICT Companies in India and was 8.48 percent in H1FY21. The Company's EBITDA margin was the highest among the key IT/ICT Companies in India in Fiscal 2020 (Source: CRISIL Report).

Investment recommendation and rationale

At the upper end of the price band of Rs. 94, the Company's IPO is valued at P/E of 21x on FY20 EPS which is decent and P/E of 34x on annualised H1FY21 EPS which looks fairly valued. The Company is expected to enjoy premium post listing owing to absence of major players in the listed space. We recommend "SUBSCRIBE" to the issue due to the following factors: a) Company among the largest neutral telecom infrastructure providers in India with pan-India optic fiber network, b) diversified portfolio of services and solutions, c) As of January 31, 2021, RailTel had exclusive right of way along 67,415 route kilometers connecting 7,321 railway stations for laying optical fiber cable, d) key partner to the Indian Railways in digital transformation and It is working with the Railways on major projects including LTE network, high-speed mobile corridor, and live feed video surveillance, e) experience in executing projects of national importance with a robust pipeline of projects, f) strong track record of financial performance, g) professionally managed with strong corporate governance and senior management team with significant industry experience, h) debt free Company with positive operating cashflow, low working capital cycle and strong return ratios.



Objects of the issue

- 1) To carry out the disinvestment of 87,153,369 Equity Shares by the Selling Shareholder - by the President of India, acting through the Ministry of Railways, Government of India aggregating to Rs. 819.24 crores
- 2) To achieve the benefits of listing the Equity Shares on the Stock Exchanges.
- 3) Since the Offer is an offer for sale and the company will not receive any proceeds from the Offer, the company is not required to appoint a monitoring agency for the Offer.



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