

IPO REVIEW

Issue Details	
Issue Opens	20-June-18
Issue Closes	22-June-18
Issue Size (Rs. Crore)	466.20
Face value (per equity share)	10
Price Band (Rs.)	180-185
Lot Size (No of Share)	80
No of Shares on Offer (crore)	2.52
QIB (%)	50%
Non-Institutional (%)	15%
Retail (%)	35%
Commencement of Trading	03-July-18

Issue Date: 20th June – 22nd June 2018

Price Band (Rs.): 180 - 185

Lot Size (No. of Share): 80

Company Background

Incorporated in 1974, RITES Ltd. is a Government of India Enterprise, under the aegis of Indian Railways. RITES Ltd., an ISO 9001:2008 company, is a multi-disciplinary consultancy organization in the fields of transport, infrastructure, and related technologies. It provides a comprehensive array of services under a single roof and believes in transfer of technology to client organizations.

Financials

Particulars	For the year/period ended (in Rs. Million)				
	Mar'17	Mar'16	Mar'15	Mar'14	Mar'13
Total Assets	48,302	44,092	36,056	36,364	32,868
Total Revenue	15,637	12,267	11,591	12,235	10,831
Profit After Tax	3,624	2,827	3,123	2,605	2,331

Concerns

- RITES completely depends upon Ministry of Railways.
- The company faces certain competitive pressures from the existing competitors and new entrants in both public and private sector.
- The company is subject to inherent risks associated with external suppliers, contractors and sub-contractors being involved in its projects.

Strengths

- Unique Business structure gives them edge over other peers
- Comprehensive range of consultancy services and a diversified sector portfolio in the transport infrastructure.
- Strong and consistent financial performance supported by robust internal control and risk management system.

Our View

On upper price band of Rs 185 and EPS of Rs17.7, P/E works out to be 10.4x. On last 3 years average EPS of Rs 16.16, P/E works out to be 11.4x. For EPS of latest 9 month ended Dec-2017, P/E works out to be 11.8x. Therefore for price band of 180-185, P/E works out to be 10x to 12x. There are no listed peers who are in similar business for comparison. However, issue price at P/E of 12x can be considered as attractively priced.

RITES is a preferred consultant of Indian Railways along with other government authorities with exposure in international operation. It is a virtually debt free company. Given RITES competence along with good track record, healthy financials and attractive valuations. We recommend our investors to invest in this IPO for medium to long term.

Shareholding pattern	Pre Issue (%)	Post Issue (%)
Promoters and Promoter Group	100.0	87.4
Public (incl institutions and employees)	0.0	12.6
Total	100.0	100.0

Objects of the Issue

1. To carry out the disinvestment of 24,000,000 Equity Shares held by the Selling Shareholder in the Company, equivalent to 12% of the issued, subscribed and paid up Equity Share capital of the Company as part of the Net Offer, and such Equity Shares that may be reserved for Employee Reservation Portion, if any, subject to necessary approvals.
2. To achieve the benefits of listing the Equity Shares on the Stock Exchanges.