

Rail Vikas Nigam (RVNL)

HOLD

Earnings Miss Amid Cost Surge

Summary

RVNL posted a disappointing Q2FY26, with weak profitability and cash flow offsetting modest revenue growth. Revenue from operations rose only 1% YoY to Rs49.3bn vs Rs48.7bn in Q2FY25 despite a healthy 26% QoQ rebound from the muted Rs39.2bn in Q1FY26. However, margins deteriorated sharply: EBITDA slipped to an estimated Rs3.9bn, translating to a 7.9% margin, down 120 bps YoY as cost pressures persisted and lower-margin EPC contracts formed a greater revenue share. PBT dropped 27% YoY to Rs3.bn, while PAT plunged 35% YoY to Rs1.9bn, with EPS falling to Rs0.94 vs Rs1.45 YoY. On the positive side, RVNL is expanding into higher-value segments such as rolling-stock manufacturing (Vande Bharat trains), O&M contracts, and non-rail infrastructure, all of which may improve future margin profile. Investor sentiment is cautious: strong backlog delivers long-term promise, but near-term execution, mix and cash-flow remain key watch-points. We maintain our HOLD rating and revise our TP of Rs334.

Key Highlights and Investment Rationale

- Order book & Pipeline:** RVNL's order book stood at around Rs900bn as of Q2 FY26, providing 3–4 years of revenue visibility. Moreover, Rs430bn relates to legacy railway projects, while Rs460bn comprises competitively bid contracts. Order inflows in H1FY26 totaled Rs20bn, with management targeting Rs80–100bn of new wins in FY26 from a bidding pipeline of Rs750–800bn.
- Guidance:** Management reaffirmed FY26 revenue guidance at Rs210–220bn with expected EBITDA margins of 6.5–7% and improved execution in H2 as construction accelerates. Capex is guided at 4% of revenue, with working-capital normalization anticipated by Q4 FY26.

TP	Rs334			Key Stock Data				
CMP	Rs316			Bloomberg/Reuters				
Potential upside/downside	6%				Sector			
Previous Rating	HOLD		Infrastructure		Shares o/s (mn)			
Price Performance (%)			2,085					
	-1m	-3m	-12m	Market cap. (Rs mn)	659,492			
Absolute	(7.6)	(3.9)	(27.7)	3-m daily avg Trd value(Rs mn)	295.4			
Rel to Sensex	(9.9)	(9.1)	(35.1)	52-week high / low	Rs502 / 295			
V/s Consensus			Sensex / Nifty					
EPS (Rs)	FY25E	FY26E	84,467 / 25,876					
IDBI Capital	8	9						
Consensus	7	7						
% difference	16.8	21.6						
Shareholding Pattern (%)								
Promoters	72.8							
FII	4.7							
DII	6.4							
Public	16.1							

Year	FY23	FY24	FY25	FY26E	FY27E	(Rs mn)
Revenue	2,02,816	2,18,785	1,99,230	2,22,570	2,44,226	
Change (yoY, %)	5	8	(9)	12	10	
EBITDA	12,468	13,536	11,251	13,571	15,923	
Change (yoY, %)	5	9	(17)	21	17	
EBITDA Margin(%)	6.1	6.2	5.6	6.1	6.5	
Adj.PAT	14,206	15,509	12,815	16,074	17,791	
EPS (Rs)	7	7	6	8	9	
Change (yoY, %)	20.1	9	(17)	25	11	
PE(x)	54.6	50	61	48	44	
Dividend Yield (%)	1	1	1	1	1	
EV/EBITDA (x)	66	59	70	59	50	
RoE (%)	21	19	14	16	16	
RoCE (%)	9	9	7	8	9	

Source: IDBI Capital Research

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Conference call highlights

- RVNL reported a strong operational performance in Q2FY26 with sequential and annual growth in turnover, driven by steady execution across railway, metro, and road projects. Management reiterated that both legacy and bidding-based projects are progressing well, ensuring continued revenue visibility over the medium term.
- The company's total order book stands at approximately Rs900bn, comprising Rs430bn from legacy railway projects and Rs460bn from competitively bid projects. This diversified order base provides multi-year execution visibility across railways, metro, roads, and digital infrastructure.
- Order inflow during Q2FY26 was Rs8.5bn, taking the H1FY26 tally to around Rs20bn. Management expects full-year inflows of Rs80–10bn, supported by strong bidding momentum across tunneling, metro, and signaling segments.
- Sector-wise, the order mix includes 33% from railway projects, 22% from metro, 10% from road works, 12% from the BharatNet project, and another 10% from the Vande Bharat train manufacturing program, highlighting RVNL's growing diversification across infrastructure domains.
- The company maintained its FY26 revenue guidance of Rs210–220bn, expecting a strong execution ramp-up in H2 as monsoon-related disruptions ease. Q3 and Q4 are anticipated to drive the bulk of annual revenues, in line with historical trends.
- EBITDA margins remained compressed at around 4–5%, down from 5–6% historically, owing to a higher share of competitively bid projects. Management aims to improve margins through design standardization, project selection, and greater overseas participation in future bidding.
- The Vande Bharat manufacturing project is progressing as per schedule, with the first two prototypes targeted for June and August 2026. Full-scale production of 12 trains is expected in FY27, followed by 25 trains annually for five years, including a 35-year O&M component.
- RVNL's international order book currently stands near Rs2bn, with active bids across Central Asia, the Middle East, and Eastern Europe. The company plans to enhance its global footprint to improve margins and align with industry peers generating significant overseas revenue.

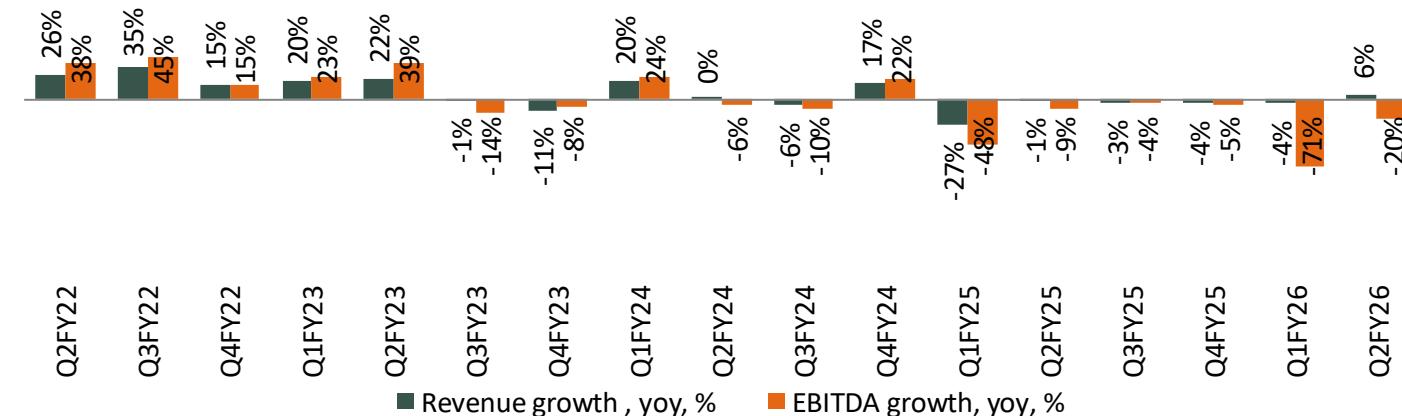
- Cash flows turned temporarily negative in H1FY26 due to a reduction in unbilled revenue, which management attributed to milestone-based billing delays. Working capital is expected to normalize from December as execution accelerates and collections improve in the busy season.
- The average execution cycle for the Rs900bn order book spans 3–4 years, ensuring stable growth visibility. Management expects at least 10% annual revenue growth in FY27, supported by faster project turnover and steady inflow of new, shorter-duration projects.
- RVNL continues to explore sunrise segments such as solar with battery storage, multimodal logistics parks, and rolling stock O&M to build long-term annuity-type revenue streams and diversify beyond traditional EPC-based railway projects.
- Despite a softer order inflow versus FY25's Rs180bn, management remains confident of a strong rebound as deferred high-value tenders in roads and tunneling get finalized, positioning RVNL for improved margins and higher order wins in coming quarters.

Exhibit 1: Quarterly Snapshot

Financial snapshot	Q2FY26	Q2FY25	YoY Chg (%)	Q1FY26	QoQ Chg (%)
Net Sales	51,230	48,550	6	39,088	31
EBIDTA	2,169	2,715	-20	529	310
EBITDA margin (%)	4.2	5.6	-136bps	1.4	288bps
Other income	2,104	2,811	-25	2,282	-8
PBIDT	4,273	5,526	-23	2,811	52
Depreciation	89	74	20	89	1
Interest	1,000	1,406	-29	1,082	-8
Pre-tax profit	3,424	3,893	-12	1,734	97
Tax	1,119	1,024	9	391	186
<i>Tax Rate</i>	33	26	637bps	23	1015bps
Profit after tax	2,305	2,869	-20	1,344	72

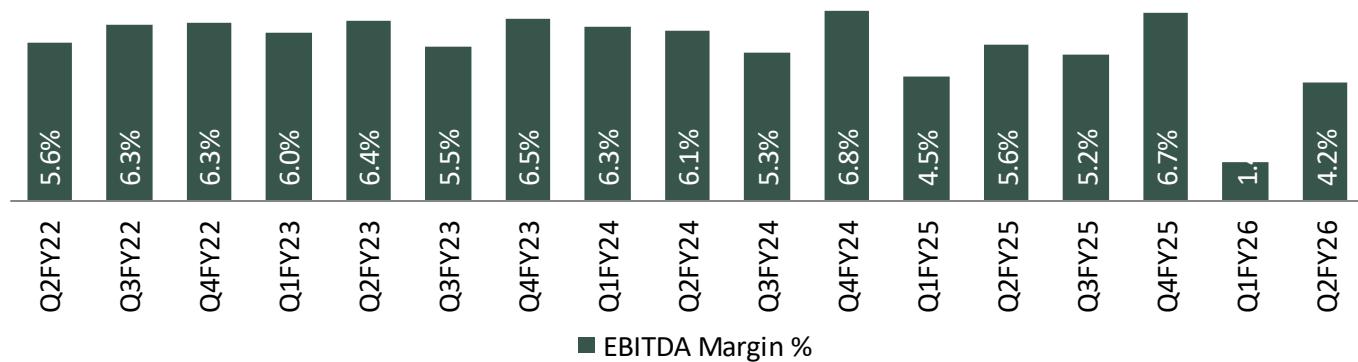
Source: Company

Exhibit 2: Revenue +6% YoY & EBITDA -20% YoY.



Source: Company

Exhibit 3: EBITDA margin at ~4.2%



Source: Company

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Net sales	1,93,817	2,02,816	2,18,785	1,99,230	2,22,570	2,44,226
<i>Change (yoY, %)</i>	26	5	8	(9)	12	10
Operating expenses	(1,81,987)	(1,90,348)	(2,05,249)	(1,87,979)	(2,08,998)	(2,28,303)
EBITDA	11,831	12,468	13,536	11,251	13,571	15,923
<i>Change (yoY, %)</i>	34	5	9	(17)	21	17
<i>Margin (%)</i>	6.1	6.1	6.2	5.6	6.1	6.5
Depreciation	(209)	(223)	(209)	(307)	(239)	(254)
EBIT	11,622	12,245	13,327	10,944	13,332	15,670
Interest paid	(5,637)	(5,814)	(5,685)	(5,395)	(5,114)	(5,114)
Other income	9,038	11,551	12,658	10,952	12,478	12,351
Pre-tax profit	15,022	17,982	20,300	16,500	20,696	22,907
Tax	(3,195)	(3,776)	(4,792)	(3,685)	(4,622)	(5,116)
<i>Effective tax rate (%)</i>	21.3	21.0	23.6	22.3	22.3	22.3
Minority Interest	-	-	-	-	-	-
Net profit	11,827	14,206	15,509	12,815	16,074	17,791
Exceptional items	-	-	-	-	-	-
Adjusted net profit	11,827	14,206	15,509	12,815	16,074	17,791
<i>Change (yoY, %)</i>	19	20	9	(17)	25	11
EPS	5.7	6.8	7.4	6.1	7.7	8.5
Dividend per sh	1.8	2.2	2.4	2.0	2.5	2.8
<i>Dividend Payout %</i>	32.3	32	32	32	32	32

Balance Sheet							(Rs mn)
Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E	
Shareholders' funds	63,247	73,251	87,220	95,710	1,06,598	1,18,650	
Share capital	20,850	20,850	20,850	20,850	20,850	20,850	
Reserves & surplus	42,397	52,401	66,370	74,860	85,748	97,800	
Total Debt	63,154	60,306	55,158	48,895	57,458	57,458	
‘Other liabilities	3,224	6,245	7,712	3,690	3,438	3,453	
Curr Liab & prov	71,030	44,421	45,677	56,522	34,611	37,253	
Current liabilities	70,743	44,139	44,785	55,513	33,602	36,244	
Provisions	287	283	892	1,009	1,009	1,009	
Total liabilities	1,37,408	1,10,972	1,08,547	1,09,107	95,506	98,164	
Total equity & liabilities	2,00,655	1,84,224	1,95,767	2,04,817	2,02,104	2,16,814	
Net fixed assets	3,807	3,560	4,604	8,872	5,211	6,311	
Investments	18,097	19,824	23,809	26,995	22,225	22,225	
Other non-curr assets	31,373	70,386	70,008	52,276	48,935	52,495	
Current assets	1,47,378	90,454	97,346	1,16,673	1,25,733	1,35,783	
Inventories	499	589	647	-	-	-	
Sundry Debtors	12,181	13,466	15,386	19,851	15,845	16,901	
Cash and Bank	68,235	18,533	31,127	38,862	38,820	43,482	
Loans and advances	66,463	57,865	50,186	57,960	71,068	75,400	
Total assets	2,00,655	1,84,224	1,95,767	2,04,817	2,02,104	2,16,814	

Cash Flow Statement							(Rs mn)
Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E	
Pre-tax profit	15,022	17,982	20,300	16,500	20,696	22,907	
Depreciation	371	423	378	472	239	254	
Tax paid	(2,993)	(3,882)	(4,607)	(4,650)	(4,622)	(5,116)	
Chg in working capital	43,889	(61,268)	10,942	8,887	(26,437)	(6,513)	
Other operating activities	(8,287)	5,983	2,546	(2,427)	(7,721)	(5,941)	
Cash flow from operations (a)	48,001	(40,763)	29,559	18,782	(17,846)	5,590	
Capital expenditure	(1,159)	(608)	(3,257)	(4,314)	4,422	(354)	
Chg in investments	(586)	(236)	(3,965)	(733)	4,772	-	
Other investing activities	(12,522)	14,394	(6,784)	21,341	11,466	11,279	
Cash flow from investing (b)	(14,268)	13,550	(14,005)	16,294	20,661	10,926	
Equity raised/(repaid)	-	-	-	-	-	-	
Debt raised/(repaid)	2,561	(5,891)	(8,188)	(10,222)	8,563	-	
Dividend (incl. tax)	(4,212)	(4,212)	(4,453)	(4,400)	(5,186)	(5,740)	
Chg in minorities	-	-	-	-	-	-	
Other financing activities	(217)	(258)	(238)	(220)	(5,114)	(5,114)	
Cash flow from financing (c)	(1,868)	(10,360)	(12,880)	(14,842)	(1,737)	(10,853)	
Net chg in cash (a+b+c)	31,866	(37,573)	2,674	20,234	1,078	5,662	

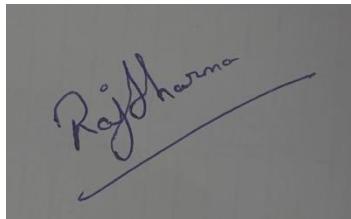
Financial Ratios

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Book Value (Rs)	30	35	42	46	51	57
Adj EPS (Rs)	5.7	6.8	7.4	6.1	7.7	8.5
Adj EPS growth (%)	19	20	9	-17	25	11
EBITDA margin (%)	6.1	6.1	6.2	5.6	6.1	6.5
Pre-tax margin (%)	7.8	8.9	9.3	8.3	9.3	9.4
Net Debt/Equity (x)	-0.1	0.6	0.3	0.1	0.2	0.1
ROCE (%)	9	9	9	7	8	9
ROE (%)	20	21	19	14	16	16
DuPont Analysis						
Asset turnover (x)	1.1	1.1	1.2	1.0	1.1	1.2
Leverage factor (x)	2.9	2.8	2.4	2.2	2.0	1.9
Net margin (%)	6.1	7.0	7.1	6.4	7.2	7.3
Working Capital & Liquidity ratio						
Inventory days	1	1	1	0	0	0
Receivable days	23	24	26	36	26	25
Payable days	4	12	4	7	4	4

Valuations

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
PER (x)	65.6	54.6	50.0	60.5	48.3	43.6
Price/Book value (x)	12.3	10.6	8.9	8.1	7.3	6.5
EV/Net sales (x)	4.0	4.0	3.7	3.9	3.6	3.2
EV/EBITDA (x)	65.1	65.6	59.1	69.8	58.5	49.6
Dividend Yield (%)	0.5	0.6	0.6	0.5	0.7	0.7

Source: Company; IDBI Capital Research



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