



RAILTEL CORPORATION OF INDIA LIMITED



IPO NOTE

Issue highlights

- ❑ Incorporated on September 26, 2000, "RailTel Corporation of India Limited" 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. Railtel is an information and communications technology ("ICT") infrastructure provider and is one of the largest neutral telecom infrastructure providers in India.
- ❑ Railtel was incorporated 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**. As of January 31, 2021, its optic fiber network covers over 59,098 route kms and covers 5,929 railway stations across towns and cities in India.
- ❑ Their portfolio of services can be broadly classified as:
 - Telecom Network Services National Long Distance ("NLD") Services;
 - Internet Service Provider ("ISP") Services;
 - Telecom Infrastructure Services
 - Managed Data Center and Hosting Services; and
 - Projects (System Integration Services)
- ❑ Railtel has a strategic relationship with the Indian Railways and they undertake a wide variety of projects including provision of mission critical connectivity services such as Video Surveillance System ("VSS") at stations and within trains, 'e-Office' services and implementing short haul connectivity between stations and long haul connectivity to support various organizations within the Indian Railways.
- ❑ Railtel operates data centres in Gurugram, Haryana and Secunderabad, Telangana to host and collocate critical applications for customers including the Indian Railways.
- ❑ The shares will be listed on BSE and NSE.

Brief Financial Details*

(₹ In Cr)

	As at Sep' 30,		As at Mar' 31,	
	2020(6)	2020(12)	2019(12)	2018(12)
Equity Share Capital	320.94	320.94	320.94	320.94
Reserves	1,073.69	1048.42	968.15	908.24
Net worth	1,394.63	1,369.36	1,289.09	1,229.18
Revenue from Operations	537.40	1,128.05	1,003.27	976.78
Revenue Growth (%)	-	12.44%	2.71%	-
EBITDA as stated	146.44	322.46	337.15	282.05
EBITDA Margin (%)	27.25%	28.59%	33.61%	28.88%
Profit Before Tax	62.18	184.76	217.69	159.61
Net Profit for the Period	45.58	141.07	135.36	134.01
PAT as % to revenue	8.48%	12.51%	13.49%	13.72%
EPS (₹)	1.42^	4.40	4.22	4.18
RoNW (%)	3.27%^	10.30%	10.50%	10.90%
Net Asset Value (₹)	43.45	42.67	40.17	38.30
Dividend (%)	-	21.00%	20.00%	19.46%

Source: RHP *Restated Summary Statement ^not annualised

Issue Details

Offer for sale of up to 87,153,369 Equity Shares

Issue summary

Net Issue size: ₹ 811 Cr – 819 Cr

No. of shares: 87,153,369 Equity Shares

Face value: ₹ 10

Employee Reservation: 500,000 Equity shares (₹ 5 Cr^)

Price band : ₹ 93 - 94

Bid Lot: 155 Shares and in multiple thereof

Post Issue Implied Market Cap = ₹ 2,985 - 3,017 Cr

BRLMs: ICICI Securities, IDBI Capital, SBI Capital Markets

Registrar: KFin Technologies Pvt. Ltd.

Issue opens on: Tuesday, 16th Feb'2021

Issue closes on: Thursday, 18th Feb'2021

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	23-02-2021
Refunds/Unblocking ASBA Fund	24-02-2021
Credit of equity shares to DP A/c	24-02-2021
Trading commences	26-02-2021

Issue break-up

Reservation for	No of Shares	Amount ₹ Cr		% of Issue
		Upper	Lower	
QIB	43,326,683	402.94	407.27	50%
NIB	12,998,006	120.88	122.18	15%
Retail	30,326,680	282.06	285.09	35%
Employees	5,00,000	4.65	4.70	-
Total	87,153,369	810.53	819.24	-

Shareholding (No. of Shares)

Pre-Offer and Post-Offer Equity Shares

No. of shares	320,938,407
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Shareholding (%)

	Pre-Issue	Post-Issue
Promoters & Promoter Gr	100.00%	72.84%
Public	-	27.16%
Total	100.00%	100.00%

BACKGROUND

Company and Directors

The company was incorporated as “RailTel Corporation of India Limited” on September 26, 2000. Its Promoter is the President of India acting through the Ministry of Railways (“MoR”) Government of India (“GoI”). The Promoter, along with its nine nominees, currently holds 100% of the pre-Offer paid-up Equity Share capital of the company. The company is conferred with a Mini Ratna (Category-I) status.

Puneet Chawla is the Chairman and Managing Director of the company since December 14, 2018. Prior to joining the company, he has held positions such as Executive Director (Safety) in the Railway Board of MoR, Divisional Railway Manager, Ajmer, Chief Project Manager, Indian Railway Project Management Unit, General Manager, Rail Vikas Nigam Ltd. He has been conferred upon “Eminent Engineer Award for the year 2020” by the Institution of Engineers (India). He has over 33 years of experience in Indian Railways.

Sanjai Kumar is the Director (Network, Planning and Marketing)/Whole Time Director of the company. He has over 27 years of experience of working as an officer of the Indian Railway Service of Signal Engineers (“IRSE”) including over 18 years of experience of managing projects and marketing departments in the company.

Anand Kumar Singh is the Director (Finance)/ Whole time Director of the company. He is also appointed as the Chief Financial Officer of the company from September 26, 2019. He has over 33 years of experience of finance and accountancy. He joined the company as Whole time Director from September 4, 2019. Prior to joining the company, he was the executive director (Finance) at IRCON International Limited.

Umesh Balonda is a Part-time Government Director / Nominee Director of the company since May 6, 2019. He has over 15 years of experience in Indian Railways undertaking various duties and responsibilities like policy formation and deployment of telecom system on Indian Railways.

Rashmi Jain is a Part-time (Non-official) Director / Independent Director of the company since July 25, 2018. She has over 14 years of experience of working in the field of finance.

Chinnasamy Ganesan is a Part-time (Non-official) Director / Independent Director of the company since July 16, 2019. He has over 15 years of experience in the field of Audit

Vinay Srivastava is a Part-time Government Director/ Nominee Director of the company since December 30, 2019. He is presently working as Executive Director in Railway Board looking after working in Passenger Rolling Stock and Public Sector Units of the Railways.

Jasmeet Singh Marwah is the Company Secretary and Compliance Officer of the company. He has over 18 years of experience in handling secretarial matters. He has been associated with the company since February 5, 2015.

The Company has won several Certificates of Recognition/ Certificates of Appreciation awards:

Year	Awards and Accreditations
2020	<ul style="list-style-type: none"> Received the Silver SKOCH Award in Digital Economy for e-office Category, 2020. Received CSR Times Award as the Best PSU (Gold Category) in women empowerment category for its Menstrual Health Management Programme Received Governance Now PSU award 2020 in Digital PSU Category.
2019	<ul style="list-style-type: none"> Received an award at the Digital Innovation and Cyber Security Summit 2019 organized by Department of Information Technology and Electronics, Government of Haryana.
2018	<ul style="list-style-type: none"> Received an award in the ‘Best Social Wi-Fi Project’ category at the My India Wi-Fi India Summit and Awards 2018.

BUSINESS OVERVIEW

Railtel Corporation of India Limited (“Railtel”) is an information and communications technology (“ICT”) infrastructure provider and is one of the largest neutral telecom infrastructure providers in India (*Source: CRISIL Report*). Railtel was incorporated 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**. As of January 31, 2021, its optic fiber network covers over 59,098 route kms 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.

Railtel operates data centers in Gurugram, Haryana and Secunderabad, Telangana to host and collocate critical applications for customers including the Indian Railways. In addition to strategic and critical network infrastructure services, it also undertake various ICT projects for the Indian Railways, central government and state governments, including various train control system projects for Indian Railways.

Railtel offers a diverse range of services across industries. Their portfolio of services can be broadly classified as below:

Service portfolio	Details
Telecom Network Services National Long Distance (“NLD”) Services	Railtel provides digital capacity to carry long distance telecommunication services and includes various tele-services including voice, data, fax, text, video and multimedia. As part of its NLD services, Railtel offers its enterprise customers with: (i) leased line services; and (ii) MPLS based virtual private network (“VPN”) facilities.
Internet Service Provider (“ISP”) Services	As part of its ISP services, Railtel offers enterprise customers Internet leased line services with multiple bandwidth options ranging from 2 MBPS and above across India. They also offer retail broadband services through its “RailWire’ platform
Telecom Infrastructure Services	Passive Infrastructure (“IP-1”) Services: Railtel provide storage, power, cooling, and physical security for servers and networking equipment of its customers and connect them with a variety of telecommunications and network service providers. In addition, they provide space on microwave towers for collocating base transceiver stations (“BTS”) for telecom operators, small cell sites for extending their mobile coverage and space for collocating mobile switching centers. They also provide single core dark fiber for transmission of digital video signals to multiple system operators (“MSOs”) for cable distribution.
Managed Data Center and Hosting Services	Data Centre and Managed Hosting Services: Railtel offers a variety of data centre services including Infrastructure as a Service or IaaS, dedicated hosting, managed services, cloud computing, managed e-Office services, disaster recovery services, Aadhar authentication services and other IT related services such as load balancing services, application hosting, bandwidth services and advanced firewall services. Telepresence Services (“TPaaS”): Railtel offers end-to-end, high-definition, secure, hosted multitenant video conferencing facility bundled with required bandwidth as a service. Security Operations Centre as a Services (“SOCaaS”): Railtel’s security operations centre (“SOC”) provides centralized and consolidated cyber security incident prevention and security event monitoring services, it has detection response capabilities and supports requirements of other business units. They are able to provide both offsite and onsite security solutions.
Projects (System Integration Services)	ICT Hardware, Software and Service System Integration Projects: Railtel collaborate with partners and OEMs to undertake ICT hardware implementation, software delivery and digital transformation projects including creation of state wide area network (“WAN”) and its maintenance, data center and facility management services, Wi-Fi projects, city surveillance projects, laying of state wide fiber optic network and its maintenance, implementation and maintenance of end-to-end IT applications of enterprises. Digital Services: Railtel also collaborate with partners who offer solutions/ applications that are hosted on its data centers, it offers digital services including unified communications, Wi-Fi as a service, e-tendering/ e-auction/ smart payments and disaster management services. Other Services: Other services offered by Railtel includes consultancy services for ICT services and solutions and signalling services including signal design and design automation software tools for the Indian Railways.

Company's operations are certified with various certifications including ISO 9001:2015, ISO/IEC 20000-1:2011, ISO/IEC 27001:2013, CMMI Maturity Level-3 and CMMI Maturity Level-4 for their quality management systems, information security management systems, and service management systems, respectively.

Railtel has a strategic relationship with the Indian Railways and they undertake a wide variety of projects including provision of mission critical connectivity services such as Video Surveillance System ("VSS") at stations and within trains, 'e-Office' services and implementing short haul connectivity between stations and long haul connectivity to support various organizations within the Indian Railways. It also undertakes various passenger services including Content on Demand ("CoD") services and Wi-Fi across major railway stations in India.

Company's experience and expertise in handling and undertaking telecom and ICT projects, has led them to be selected for implementation of various mission-mode projects for the GoI including rolling out the National Knowledge Network ("NKN"), Bharat Net (formerly, the National Optical Fiber Network) and USOF funded optical fiber based connectivity project in North East India. They also undertook ICT projects including the KFON, projects for ESIC and MHRD.

The Revenue from Operations have grown at a CAGR of 7.47% from ₹ 976.78 crore in Fiscal 2018 to ₹ 1,128.05 crore in Fiscal 2020 and were ₹ 537.40 Cr for 6 months ended September 30, 2020.

Railtel has been profitable since Fiscal 2007 and has consistently declared and paid dividends since Fiscal 2008. Its net profit margin of 12.50% in Fiscal 2020 was the highest among the Key Telecom Companies and Key IT/ICT companies in India and was 8.48% in the 6 months ended September 30, 2020. The operating profit margin was the highest among the Key IT/ICT Companies in India in Fiscal 2020.

Key observations

- In Fiscal 2020, RailTel reported the highest net profit margin of 13%, owing to a zero debt in Fiscal 2020. Reliance Jio Infocomm Ltd. and Tata Communications Ltd. followed RailTel with 10% and 4%, respectively, in Fiscal 2020.
- RailTel ranked considerably well in operational profitability in Fiscal 2020. RailTel's operating profit margin was 30% in Fiscal 2020, whereas Vodafone Idea Ltd. and Reliance Jio Infocomm Ltd. was 33% and 40%, respectively, in Fiscal 2020.
- In Fiscal 2020, Railtel registered the highest return on capital employed ("RoCE") of 14%, followed by Reliance Jio Infocomm Ltd at 13% in the same period.

Portfolio of Services

Company operations can be broadly classified based on the various services offered:

- Telecom Network Services;
- Telecom Infrastructure Services;
- Managed Data Center and Hosting Services; and
- Collaboration Services.

PORTFOLIO OF SERVICES

<i>Name of services</i>	<i>Service description</i>
Telecom Network Services	
• NLD Services	NLD service refers to the carriage of switched-bearer telecommunications services over a long distance network i.e., a network connecting different short distance charging areas. As an NLD service provider they provide the required digital capacity to carry long distance telecommunication service and include various types of teleservices such as voice, data, fax, text, video and multimedia.
• Leased Line Services	Enterprises use leased lines to interconnect their important nodal centres such as primary data centres, back-up sites, call centres and regional hubs. Its leased line service provides single infrastructure for all communications requirements to cater to business needs of enterprises. Railtel has connected multiple circuits as part of the National Knowledge Network.
• MPLS based VPN Services	Railtel offers its MPLS based VPN services to enterprise customers including SME, educational institutions and banks and financial institutions primarily aimed at enhancing their business performance. Its customers also include the Indian Railways and other public sector undertakings.

<ul style="list-style-type: none"> • Internet Service Provider (“ISP”) Services 	<p>The company provides these services to small and medium enterprises and other enterprises in accordance with the terms of its ISP license provided by DoT.</p>
<ul style="list-style-type: none"> • RailWire 	<p>This is the retail broadband initiative of the company aimed at extending broadband and application services to the public including in remote areas. They leverage their considerable infrastructure and pan-India presence. RailWire focuses on pure-play broadband and VPN services. They aim to provide value-added services in retail, education and healthcare sectors.</p> <p>This service offers content and applications driven network and aims to become a hub of local information, platform for rendering communication, infotainment, education, health and community services to the masses. They have their own infrastructure or in certain cases rely on shared infrastructure/ last mile access.</p> <p>As of June 30, 2020, they had 172,083 users of their ‘RailWire’ service.</p>
<ul style="list-style-type: none"> • Internet Leased Line 	<p>Railtel offers Internet leased line services delivered over fiber, which provides uncontended, symmetrical bandwidth with full-duplex traffic. Its customers in this segment include major technology companies, public sector defence undertakings, state transport authority of Odisha and the Indian Railways.</p> <p>Railtel has 24/7 customer MPLS based Network Operation Centres at New Delhi, Kolkata, Mumbai and Secunderabad, with a central NOC at New Delhi.</p> <p>The company offers multiple bandwidth options from 2Mbps and above. Its leased line is secure and private. They have international gateways at Mumbai and Chennai for assuring traffic routing at trans-Atlantic and trans-Pacific routes. Its network is peered with National Internet Exchange of India (NIXI) for access to domestic content.</p>
Telecom Infrastructure Services	
<ul style="list-style-type: none"> • IP – 1 Services 	<p>Railtel provides tower collocation, rack and space utilization, dark fiber, tele presence, data center services and operation and maintenance of railways fiber pursuant to its IP-1 registration granted by the Department of Tele-communication, Gol.</p>
<ul style="list-style-type: none"> • Tower Collocation, Rack and Space Utilization 	<p>Railtel offers its existing nationwide network of microwave towers and other structures to wireless communications providers that enables them to provide cellular, high-speed data and other wireless communications services.</p>
<ul style="list-style-type: none"> • Colocation Space on Indian Railway Microwave Towers 	<p>Railtel manages towers of the Indian Railways that are used to provide tower collocation facilities to telecom operators for mobile BTS. The towers are ideally placed at central locations in cities, towns and rural areas, and have capability to support multiple BTS collocations.</p>
<ul style="list-style-type: none"> • Dark Fiber 	<p>Dark fiber service is service provided by local exchange carriers (“LECs”) for the maintenance of optical fiber transmission capacity between customer locations in which the light for the fiber is provided by the customer rather than the LEC. Railtel provides single core dark fiber for transmission of digital video signals to MSO for cable distribution.</p>
<ul style="list-style-type: none"> • Operation and Maintenance of Railway Fiber 	<p>Railtel maintain certain optical fiber cable of Indian Railways for which they charge Indian Railway on a per fiber per kilometer basis.</p>
Managed Data Center and Hosting Services	
<ul style="list-style-type: none"> • Data Center Services 	<p>This includes transformation and systems management, hosting and co-location services and building secure and energy efficient infrastructure environment. It offers co-location, dedicated hosting, cloud computing, disaster recovery sites services and other IT related services. This services help customers enhance infrastructure efficiency, improve business agility, optimize operational expenses and improve scalability and data centre privacy. The data centre facility is suitable to meet customers cloud computing requirements.</p>
<ul style="list-style-type: none"> • TPaaS 	<p>TpaaS is an end-to-end, full high-definition videoconferencing service that allows users a virtual, face-to-face meeting experience. Multi-purpose room arrangements adapt to a wide variety of room configurations and environments.</p>
<ul style="list-style-type: none"> • SOCaaS 	<p>SOC has capabilities of</p> <ul style="list-style-type: none"> • Security event monitoring, detection, investigation and alert triaging; • Security incident response management, including malware analysis and forensic analysis; • Threat intelligence management; • Security device management maintenance; • Threat and vulnerability management; • Security training; and • Compliance reporting/management.

Projects (System Integration Services)	
<ul style="list-style-type: none"> • ICT Hardware, Software and Service System Integration Projects 	This includes creation of state wide area network (“WAN”) and its maintenance, data center and facility management services, Wi-Fi projects, city surveillance projects, laying of state wide fiber optic network and its maintenance, Implementation and maintenance of end-to-end IT applications of enterprises including digitization of education in schools and colleges, implementing ‘smart class rooms’, health care and tele-consultation.
<ul style="list-style-type: none"> • Digital Services 	The company offer digital services including unified communications, WiFi as a service, e-tendering/ e-Auction/ smart payments and disaster management services.
<ul style="list-style-type: none"> • Other Services 	This includes consultancy services for ICT services and solutions and signalling services including signal design and design automation software tools for the Indian Railways.

BUSINESS IMPACT – COVID 19

- **The COVID-19 pandemic may delay 5G auctions beyond Fiscal 2021**

Considering the current fiscal position of the Government among the COVID-19 pandemic and telecom companies, the Government is expected to conduct only 4G auctions this fiscal, delaying the 5G spectrum sale to Fiscal 2021. The 4G spectrum auctions will see sale of all unsold spectrums in various bands, except the 5G band.

COMPETITIVE STRENGTHS

- **Among the largest neutral telecom infrastructure providers in India with pan-India optic fiber network**

Railtel is one of the largest neutral telecom infrastructure providers in India (*Source: CRISIL Report*). As of January 31, 2021, they had exclusive right of way along 67,415 route kms connecting 7,321 railway stations for laying optical fiber cable. They have over 59,098 route kms of optical fiber cable network and have connected 5,929 railway stations across towns and cities in India as of January 31, 2021. They offer high capacity bandwidth of up to 800G at 87 locations in India, as of January 31, 2021. They offer leased line and VPN facilities and also provide of IP-1 services.

Their pan-India network comprises various technologies including next generation network (“NGN”), packet transport network, DWDM and IP-MPLS that are maintained by their network operations centers (“NOCs”) at Mumbai, Delhi, Kolkata and Secunderabad to provide VPN, point-to-point leased line to enterprises, public sector banks, defense organisations and educational institutions. In addition, they have a central NOC located at New Delhi that monitors entire the pan-India network. They have installed point-of-presence (“PoPs”) across cities and towns in India.

Railtel is also implementing partner for the Bharat Net project to create optical fiber cable based broadband infrastructure in laying optical fiber cable across 36,000 gram panchayats in India. As of January 31, 2021, they had completed laying 25,000 kilometers of optical fiber cables for 9,473 gram panchayats and 7,764 gram panchayats were service ready. They also have experience in providing managed ICT services to central and state government agencies. They have developed a retail broadband network and applications to retail customers across India through its ‘RailWire’ platform. As of January 31, 2021, they had 305,746 users of its ‘RailWire’ service.

- **Diversified portfolio of services and solutions**

Railtel offers a diversified portfolio of ICT services and solutions including MPLS-VPN, leased lines services, TPaaS, e-Office 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.

They have also built their 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. As of December 31, 2020, they had connected 5,034 MPLS-VPN ports and 895 Internet bandwidth ports for its customers.

In addition, they provide NLD connectivity for Indian Railways exchanges on NGN technology handling over 0.89 million minutes per month, as of December 31, 2020. They also offer digital subscriber line access multiplexer for broadband at railway colonies and provide Wi-Fi in various offices of the Indian Railways. The provisioned bandwidth for railway applications grew from 38.12Gbps as of March 31, 2020 to 54.82 Gbps as of December 31, 2020 reflecting a growth 1.4 times.

- **Key partner to the Indian Railways in digital transformation**

Railtel serves as a key network for the Indian Railways. 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, its MPLS-VPN for railways intranet aggregated to over 74.7 Gbps capacity and Internet to over 25.06 Gbps capacity.

They are 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. They are also working with the Indian Railways to transform railway stations into digital hubs by providing public Wi-Fi at railway stations across India.

As on January 31, 2021, 5,929 railway stations were live with 'RailWire' Wi-Fi and they recorded over 16.04 million unique users per day in Fiscal 2020. They recorded an average of 30.01 million user logins per month in Fiscal 2020, and an average of 9,262 TB of aggregated data consumption per month in Fiscal 2020. They also recorded average data usage per user amounting to 577 MB per month in Fiscal 2020. In Fiscal 2018, 2019 and 2020 and in the 6 months ended September 30, 2020, they generated revenues of ₹ 118.73 crore, ₹ 115.29 crore, ₹ 283.14 crore and ₹ 128.01 crore, respectively, from services rendered to the Indian Railways.

The company has implemented the 'e-Office' project for the Indian Railways. Other projects with Indian Railways include implementing Content on Demand ("CoD") services to passengers and the Railway Display Network. In October 2020, the MoR has assigned them the task of implementation of hospital management information system ("HMIS") for over 125 health establishments and 650 polyclinics of the Indian Railways.

- **Experience in executing projects of national importance with a robust pipeline of projects**

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. They are also executing projects for public sector enterprises. For ESIC they have undertaken operations and maintenance of the network and infrastructure operations in connection with implementation of social security programme. As part of its work for the MHRD, their role involves commissioning and maintaining secured campus Wi-Fi infrastructure in central universities in India. As of January 31, 2021, they had executed and were maintaining Wi-Fi at 26 universities.

In Kerala Fiber Optic Network project, Railtel is a part of the consortium that involves provision of scalable and resilient optic fiber across Kerala. They are also in the process of setting up such e-offices for a number of large government entities.

- **Strong track record of financial performance**

Railtel has been profitable since Fiscal 2007 and have consistently declared and paid dividends since Fiscal 2008 and in Fiscal 2018, 2019, 2020 and in the 6 months ended September 30, 2020,, they paid dividend of ₹ 51.53 crore, ₹ 62.47 crore, ₹ 46.20 crore and ₹ 20 crore, respectively. Its net worth has been positive since incorporation and has been consistently growing and was ₹ 1,229.18 crore, ₹ 1,289.09 crore, ₹ 1,369.36 crore and ₹ 1,394.63 in Fiscal 2018, 2019, 2020 and in the 6 months ended September 30, 2020, respectively.

Its operations have been funded entirely by internal accruals since Fiscal 2013 and they are a debt-free company. In Fiscal 2020, its gearing ratio was the lowest among Key Telecom Companies and Key IT/ICT Companies in India. Its revenue from operations have grown at a CAGR of 7.47% from ₹ 976.77 crore in Fiscal 2018 to ₹ 1,128.05 crore in Fiscal 2020 and were ₹ 537.4 crore in the 6 months ended September 30, 2020.

Further, the total income in Fiscal 2018, 2019, 2020 and in the 6 months ended September 30, 2020 was ₹ 1,021.22 crore, ₹ 1,038.27 crore, ₹ 1,166 crore and ₹ 553.78 crore, respectively, while its EBITDA for the same periods was ₹ 282.05 crore, ₹ 337.15 crore, ₹ 322.46 crore and ₹ 146.44 crore, respectively. In Fiscal 2020, RailTel had the highest return on capital employed ("RoCE") among Key Telecom Companies and Key IT/ICT Companies in India, with a RoCE of 14% and was 4.64% in the 6 months ended September 30, 2020.

In Fiscal 2020, they reported the highest net profit margin among Key Telecom Companies and Key IT/ICT Companies in India, with a net profit margin of 12.50% while their net profit margin was 8.48% in the 6 months ended September 30, 2020.

They ranked 1st in terms of operating profit margin among the Key IT/ICT Companies in India in Fiscal 2020 (Source: CRISIL Report). The profit before tax was ₹ 159.61 crore, ₹ 217.69 crore, ₹ 184.76 crore and ₹ 62.18 crore in Fiscal 2018, 2019, 2020 and in the 6 months ended September 30, 2020, respectively.

- **Professionally managed with strong corporate governance and senior management team with significant industry experience**

Railtel has a diversified Board and senior management team with significant experience. The Chairman and Managing Director, Puneet Chawla has been associated with Indian Railways for over 30 years and has significant experience in project management and administration. Sanjai Kumar, Whole-time Director (Network, Planning and Marketing) has technical backgrounds and has extensive operational and marketing experience. Anand Kumar Singh, Director and Chief Financial Officer have extensive experience in finance and accounting matters. The Board also comprises members who have been associated with the Indian Railways in various capacities and also receives support from the nominees of the Indian Railways.

KEY BUSINESS STRATEGIES

- **Continue to expand the telecom services and deploy latest technologies**

Company's extensive network is a key differentiator in the market and a key value proposition in delivering services to its customers. To build 5G infrastructure in India, fiberisation of telecom towers is a pre-requisite (*Source: CRISIL Report*). Railtel, therefore, plan to continue to invest in expanding its network and deploying latest technologies to enable a high capacity next generation network in order to deliver sustained value to its customers and improve their experience with its services.

The company intends to create neutral telecom infrastructure to allow them to host telecom players at railway stations in India. Also, as part of the digital India initiatives by the GoI, Railtel is well positioned to connect gram panchayats and provide high speed Wi-Fi particularly in gram panchayats near railway stations where its optical fiber cable network exists. They intend to continue to invest in its network and technology infrastructure, to improve the existing technology systems or implement new, more advanced technology systems.

As part of the North East Optical Fiber Cable project under USOF, Railtel will continue to create the fiber network in the 6 states of North East (Mizoram, Tripura, Meghalaya, Arunachal Pradesh, Manipur and Nagaland) under 2-phases connecting each of district headquarters to their respective sub-divisional headquarters.

- **Further diversify services and solutions with a focus on Indian Railways**

Strong economic growth, aided by shift to digital and on-demand business models with a growing need for any time anywhere connectivity for enterprises and the GoI's push for digitization, are fuelling demand for telecom services from enterprises.

The company plans to enhance its focus on provision of services that have high market attractiveness and in particular work with the Indian Railways. The Indian Railways currently uses GSM-R based network and intends to migrate to the LTE network. They intend to work with the Indian Railways to develop and manage their proposed LTE network that will create a private network along a railway tracks. This network will provide connectivity for IoT initiatives of the Indian Railways. They also intend to work with the Indian Railways to meet their current and emerging communication infrastructure requirements by implementing the High Speed Mobile Communications Corridor ("**HSMCC**"). The proposed HSMCC will cater to current and future voice and data needs of train-ground and train-train communication of rail assets, automatic train operations and on-board passenger services.

The TRAI has finalized its recommendations on the allotment of spectrum that out of 35 MHz (paired) spectrum available in the 700 MHz band, 5MHz (paired) spectrum should be allocated to the Indian Railways for implementing ETCS level-2, MC PTT + Voice, IoT-based asset monitoring services, passenger information display system, and live feed of video surveillance of a few coaches at a time. TRAI has further recommended that the MoR explore other communications for uploading the video feed. For VSS, Indian Railways can either use a high capacity Wi-Fi or public telecommunications network telecom service provider network for sending continuous video surveillance data streams to its control centre. In addition, LTE based mobile train radio communication system is the foundation for Indian Railway's modern train control systems including the ETCS level-2 and the train collision avoidance system.

This would open up opportunities for telecom service providers and given its network capability and experience of working with the Indian Railways, Railtel is well placed to monetize on this opportunity. They intend to partner with PSUs to undertake provide ICT services, maintenance of telecom infrastructure, and marketing of dark fiber, tower space, telecom network and associated equipment and collaborate in areas such a development of smart cities, network requirements for defence projects, cloud, IoT and mission critical communication systems.

Railtel is currently working on a LTE-based communication system for the Indian Railways which is similar to the public protection and disaster recovery ("**PPDR**") networks that employ LTE standards. They intend to offer its services to various governmental agencies that are proposing to modernize PPDR networks.

- **Expand the services outside India**

Given its expertise in handling a range of ICT infrastructure projects and its ability to provide diversified service and solutions, Railtel intend to offer its services selectively in jurisdictions outside India. They are currently in the process of bidding for project in Africa that include supply, delivery, installation, testing and commissioning of goods and service for digital literacy in public primary schools in Kenya. They will look to leverage its expertise of working and developing projects for the Indian Railways, particularly modernizing and digitizing the existing networks, to other projects in Bangladesh and Jordan where they are currently evaluating projects. In addition, they are exploring business opportunities in Mauritius and in particular in the healthcare segment.

COMPETITION

The key competitive factors in this industry include changing technologies, client preferences and needs and the ability to deliver solutions to meet such evolving needs. Other competitive factors in the industry include breadth and depth of service offerings, reputation and track record, ability to tailor enterprise solution service offerings to client needs and industry expertise.

Railtel faces significant competition from a number of companies, including from those with pan-India footprints such as Bharti Airtel Ltd., Reliance Jio Infocomm Ltd., as well as Bharat Sanchar Nigam Ltd. and Mahanagar Telephone Nigam Ltd. The company expects the competition to intensify in the segments in which they operate as new entrants emerge in the industry due to available growth opportunities.

OVERVIEW OF TELECOM DATA SERVICES INDUSTRY IN INDIA

Key service provided by Indian Telecom Players

Services provided by Telecom Players	Bharti Airtel	BSNL	MTNL	Reitel Corporation of India	Reliance Jio Indicom Ltd	Tata Communications	Vodafone Idea Ltd
Voice				-			
Wireless Broadband				-			
Wireline Broadband							
Video Conferencing			-				-
Domestic Leased Line	-				-	-	-
Passive Infrastructure						-	
Data Centre					-		
Enterprise Services							
Other Services							

Notes: Cells highlighted in burgundy indicate 'services offered' by respective players either on standalone basis or through subsidiaries or associates.

Key financial parameters of the Key Telecom Companies

As of and for the period ended March 31, 2020	Bharti Airtel Ltd	BSNL	MTNL	RailTel	Reliance Jio Info-comm Ltd	Tata Commuc-ations Ltd	Vodafone Idea Ltd
	Standalone			Consolidated	Standalone		
Operating revenue (₹ Cr)	54,630.3	18,206.4	2,034.7	1,128.1	54,316.0	5,750.3	44,715.0
CAGR Fiscal 2015 to Fiscal 2020 (%)	0%	(11)%*	(12)%*	19%	64%^	5%	7%
Operating profit margin (%)	38%	(50)%	(62)%	30%	40%	27%	33%
PAT (₹ Cr)	(36,088.2)	(15,073.3)	(3,390.2)	141.1	5,562.0	208.8	(73,131.0)
Net profit margin (%)	(66)%	(83)%	(167)%	13%	10%	4%	(164)%
RoCE (%)	(44)%	(15)%	(24)%	14%	13%	9.5%	(8)%
Gearing (times)	2.8	0.4	(1.5)%	0.0	0.4	0.1	(0.9)
Interest coverage (times)	(1.8)	(10.8)	(0.4)	48	3.3	25.5	1.0

* CAGR from Fiscal 2015 to Fiscal 2019; ^ CAGR from Fiscal 2018 to Fiscal 2020

Key financial parameters of the Key IT/ICT Companies

As of and for the period ended March 31, 2020	Sify	HCL Infosystems Ltd	RailTel	Tata Communications Ltd
	Technologies Ltd Consolidated	Consolidated	Consolidated	Standalone
Operating revenue (₹ Cr)	2,304.9	1,829.0	1,128.1	5,750.3
CAGR Fiscal 2017 to Fiscal 2020 (%)	8%	(21)%	10%	2%
Operating profit margin (%)	18%	(11)%	30%	27%
PAT (₹ Cr)	70.5	(136.0)	141.1	208.8
Net profit margin (%)	3%	(7.5)%	13%	4%
RoCE (%)	11%	(27)%	14%	9.5%
Gearing (times)	0.9	(11.5)	0.0	0.1
Interest coverage (times)	4.1	0.3	48	25.5

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