



IPO DETAILS

Issue Date 16th Feb-18th Feb 2021

Price Band Rs 93-94 per Share

Bid Lot 155 & in multiple thereof

Face Value Rs 10/Share

Listing BSE, NSE

Issue Size 87,153,369 Eq Shares

Offer For sale 87,153,369 Eq Shares

Pre Issue Eq Shares 320,938,407 Eq Shares

Post Issue Eq Shares 320,938,407 Eq Shares

BRLM ICICI Securities Limited,
 IDBI Capital Markets
 & Securities Ltd,
 SBI Capital Markets Limited

Registrar KFin Technologies
 Private Limited

Company is a Mini Ratna Central Public Sector Enterprise wholly owned by the Government of India & under the administrative control of the Ministry of Railways ("MoR") & is a information & communications technology ("ICT") infrastructure provider & is one of the largest neutral telecom infrastructure providers in India.

What we like:

Largest neutral telecom infrastructure provider: As of Jan 31, 2021 company had exclusive right of way along 67415 route kilometers connecting 7321 railway stations for laying optical fibre cable. Company have 59,098 route kilometers of optical fiber cable network and have connected 5,929 railway stations across towns and cities in India, as of January 31, 2021. Company have city wide access network that stands at over 18,000 kilometers as of January 31, 2021.

Whopping increase in number of subscribers : As of January 31, 2021, company had 305,746 users of 'RailWire' service. The number of subscribers has increased 2.55 times since April 30, 2020 from number of subscribers of 119,515.

Strong Financials: In Fiscal 2020, company 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 its net profit margin was 8.48% in the six months ended September 30, 2020. Company ranked first in terms of operating profit margin among the Key IT/ICT Companies in India in Fiscal 2020.

Robust pipeline of projects: Company is in the process of carrying out a project in Haryana for a state agency, where it is required to supply, install and commission IP-MPLS and MPLS routers at various sites under the state WAN and also supply, install and commission switches, servers and firewalls and undertake facility management services for management of the common IT infrastructure. Company have also been awarded a number of projects that it is currently implementing and executing. These include the Kerala Fiber Optic Network project where company is a part of the consortium that involves provision of scalable and resilient optic fiber across Kerala.

Valuation

Company is bringing the issue at p/e multiple of approx 21x at higher end of price band of Rs 93-94/share on FY20 PAT basis.

Although company's valuation looks fully priced but looking after the industry dynamics of Telecom & Telecom data services where broadband market is gaining pace with enterprise data services to register volume driven growth along with huge potential offer by Indian market as India has lowest fixed broadband subscription per 100 people will give boost to company's performance going forward. Also the edge which company holds over its peers in terms of financial performance makes this issue attractive to deploy the funds in .

Hence we recommend investor to subscribe the issue for short & long term .



An assessment of the key telecom service companies in India, which include Bharti Airtel Limited, BSNL, Mahanagar Telephone Nigam Limited ("MTNL"), RailTel, Reliance Jio Infocomm Limited, Tata Communications Limited and Vodafone Idea Limited (collectively, the "Key Telecom Companies").

As of & for period ended Mar'20	Bharti Airtel	BSNL	MTNL	Rail Tel	Reliance Jio Infocomm	Tata Communication	Vodafone Idea
	Standalone	Standalone	Standalone	Consolidated	Consolidated	Consolidated	Consolidated
Operating Revenue (Rs Mn)	546303	182064	20347	11281	543160	57503	447150
CAGR Fiscal 2015 to Fiscal 2020 (%)	0%	(11%)	(12%)	19%	64%	5%	7%
Operating Profit margin %	38%	(50)%	(62)%	30%	40%	27%	33%
PAT (Rs Mn)	(360,882)	(150,733)	(33,902)	1411	55620	2088	(731,310)
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

An assessment of the key IT and ICT companies in India, which include HCL Infosystems Limited, RailTel, Sify Technologies Limited, Tata Communications Limited and Telecommunications Consultants India Limited ("TCIL") (collectively, the "Key IT/ ICT Companies").

As of & for period ended Mar'20	Sify Technologies Ltd	HCL Infosystems Limited	RailTel	Tata Communications Ltd
	Consolidated	Consolidated	Consolidated	Standalone
Operating Revenue (Rs Mn)	23049	18290	11281	57503
CAGR Fiscal 2017 to Fiscal 2020 (%)	8%	(21)%	10%	2%
Operating profit margin (%)	18%	(11)%	30%	27%
Profit after tax (Rs Mn)	705	(1360)	1411	2088
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

Source:RHP



Strong network Infrastructure

With the exclusive right of way for 67415 route kms+7231 stations company had already set infrastructure at 59098 route kms with 5929 stations. Company offer bandwidth up to 800 G at 87 locations .Under Bharat Net project company has to create optical fiber cable based broadband infrastructure in laying optical fiber cable across 36,000 gram panchayats in India. Company had completed laying over 25,000 kilometers of optical fiber cables for 9,473 gram panchayats and 7,764 gram panchayats were service ready.

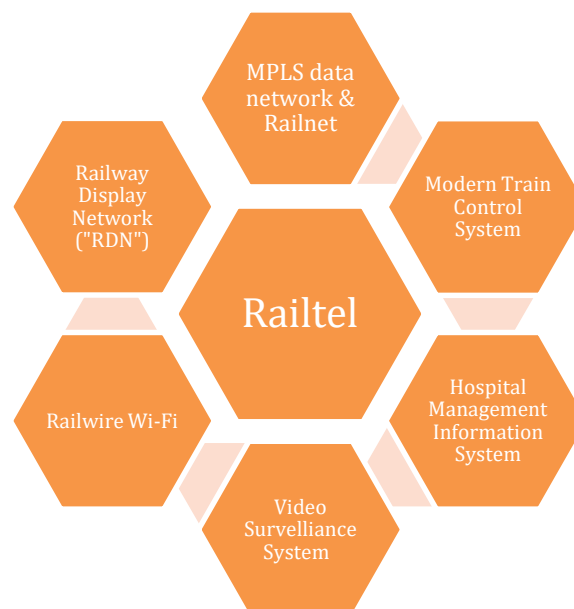
Wide portfolio of services & solutions

Among company's diversified portfolio ,seivies include 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.

Particulars	Revenue from Operations (Mn)			
	FY'18	FY'19	FY'20	H1FY21
Telecom Network Services				
- NLD Services	3896.90	3719.71	4150.70	2127.30
- ISP Services	1478.33	1622.70	1662.20	1069.50
Telecom Infrastructure Services				
- IP-1 Services	1205.52	1152.73	1351.56	818.90
Managed Data Center & Hosting Services				
- Data Centre & Managed Hosting Services	72.24	77.08	131.91	92.65
- TPaaS	196.84	142.40	151.12	44.12
Projects (System Integreation Services)(including other operating revenue)	2917.96	3318.07	3833.05	1358.30
Total	9767.79	10032.69	11280.54	5374.00

Source:RHP

Key partner to the Indian Railways in digital transformation

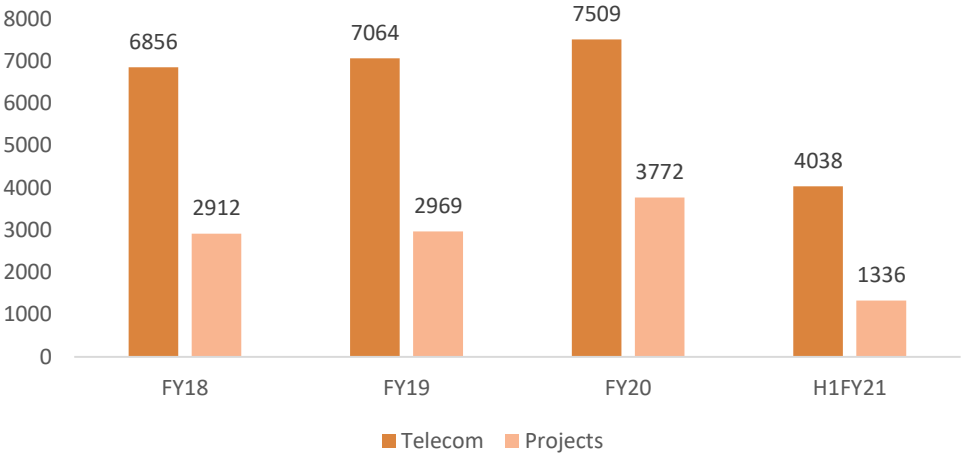




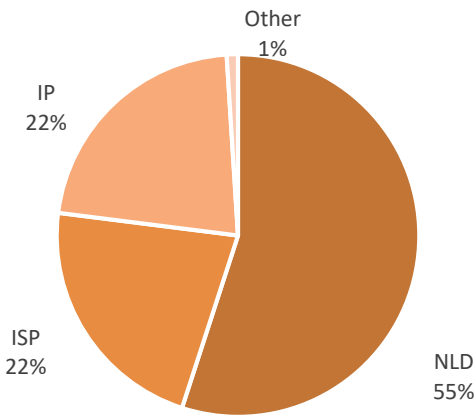
ABOUT COMPANY

Company is into the business of providing diverse range of services like Telecom Network Services, Telecom Infrastructure Services, Managed Data Center & Hosting services & projects (System Integration Services)

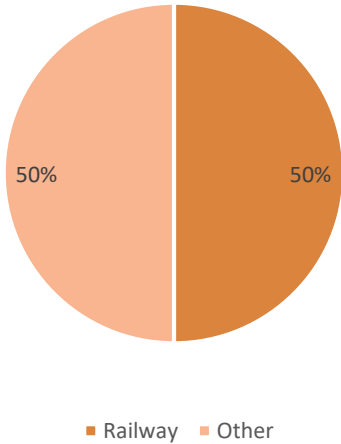
Revenue By Segment(Rs Mn)



Telecom Segment Revenue (FY20)



Project Segment Revenue (FY20)





Risk Factors:

As company is in the telecommunications industry which in India is highly regulated and any changes in laws, regulations or governmental policy could potentially adversely affect company's business, prospects, financial condition, cash flows and results of operations.

Objects of Issue:

To carry out the disinvestment of 87,153,369 Equity Shares by the Selling Shareholder.

Financial Statement

(Rs Cr)

Particulars	FY18	FY19	FY20	H1FY21
Total Income	20.05	61.90	99.43	122.15
Total Exp	15.68	52.84	89.73	72.97
EBIDTA	4.38	9.06	9.69	49.18
Other Income	0.02	0.09	0.06	0.83
Depreciation	0.01	0.06	0.37	0.18
EBIT	4.39	9.09	9.38	49.83
Interest	3.81	7.89	6.80	2.51
PBT	186.12	217.69	234.06	62.18
E/O Items	26.51	0.00	49.30	0.00
PBT	159.61	217.69	184.76	62.18
Sh Of Profit in Asso	0.00	0.00	0.00	0.00
PBT	159.61	217.69	184.76	62.18
Tax	25.61	82.33	43.69	16.60
PAT	134.01	135.36	141.07	45.58
Eq Cap	320.94	320.94	320.94	320.94
Net Worth	1,229.18	1,289.09	1,369.36	1,394.63
Eq Shares	32.09	32.09	32.09	32.09
EPS	4.18	4.22	4.40	1.42
Book Value	38.30	40.17	42.67	43.45
ROE	10.90	10.50	10.30	3.27
EBIDTA Margin %	27.20	30.10	29.59	24.34
PAT Margin %	13.70	13.49	12.51	8.47

Source:RHP

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