Rail Vikas Nigam Limited

March 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	30.00 (Enhanced from 20.00)	CARE AAA; Stable	Reaffirmed
Long-term / Short-term bank facilities	8,500.00 (Enhanced from 6,480.00)	CARE AAA; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to long-term and short-term bank facilities of Rail Vikas Nigam Limited (RVNL) continues to consider RVNL's strong managerial and financial linkages with Government of India (GoI) with 72.84% ownership. Ratings also derive strength from RVNL's significant execution capabilities in the railway segment and its strong orderbook position of ₹96,780 as on January 31, 2025, with ~49% of the projects from Ministry of Railways (MoR) on a nomination basis having a cost-plus margin structure.

While domestic railway projects are now being tendered through MoR's competitive bidding system, revenue visibility remains strong for the next three years. RVNL has started bidding in competitive landscape and has been able to secure over ₹49,000 crore worth of projects in railways and other segments. RVNL continues to leverage on its project management skills and sound technical qualifications to secure projects in era of discontinuation of nomination policy from MoR. Based on such expertise, RVNL's orderbook has also diversified towards roads, irrigation, industrial manufacturing, electrical works, solar, ports, telecommunication among others.

Ratings also favourably factor in the company's low counterparty risk with primarily strong government entities as counterparties and its favourable financial risk profile marked by strong and sustained total operating income (TOI), low reliance on unaided borrowings, and strong liquidity. Adequate cash accrual generation amidst the equity commitments in the underlying special purpose vehicles (SPVs), low sponsor dependence of SPV for operations and debt servicing, and low leverage are some of the other strengths. Major increase in leverage including corporate guarantee extended to build operate transfer (BOT) projects will be a rating monitorable and remains a key sensitivity.

However, rating strengths are partially tempered by competitive and fragmented industry and moderate profitability due to sub-contracting most construction work. Going forward, RVNL's ability to maintain existing scale up of operations and improve profitability, while securing and executing projects from competitive bidding shall be crucial. this apart, investments to subsidiaries and JVs and inherent life cycle risks of BOT projects are other credit deterrents.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

Not applicable.

Negative factors

- Shareholding of MoR below 51%.
- Weakening managerial and financial linkages with MoR, GoI.
- Exposure to SPVs breaching over 50% of tangible net worth (TNW) adversely, impacting capital structure.
- Significantly declining order book position with dip in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin.
- External debt (excluding loans for project execution being serviced by MoR per the memorandum of understanding (MoU) between RVNL and MoR and mobilisation advances) to PBILDT exceeding 1.00x.

Analytical approach: Standalone, factoring parent notch up due to GoI ownership and factoring likely support/equity investments to be extended by RVNL to its JVs/subsidiaries.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Outlook: Stable

The outlook for RVNL is expected to be 'Stable' backed by its strong financial flexibility due to GoI holding of 72.84%. Healthy orderbook position backed by strong counterparties and strong liquidity is expected to render stability to the company's risk profile.

Detailed description of key rating drivers:

Key strengths

Significant linkages with GoI and MoR

RVNL was incorporated in 2003 entirely held by GoI and subsequently received Mini Ratna public sector undertaking (PSU) status in 2013 and has been upgraded to 'Navratna' status in FY23 by the department of public sector enterprises (PSE). Currently, GoI holds 72.84% (PY: 78.20%) equity in RVNL, dilution of stake occurred in Q1FY24 to meet minimum public shareholding requirement per regulatory requirement for listed companies. RVNL is the one of the few agencies, through which, MoR has implemented railway projects throughout the country.

As on February 28, 2025, the board of RVNL is headed by Pradeep Gaur, Chairman and Managing Director (CMD). He holds M. Tech. degree in Structural Engineering from Punjab Engineering College, Chandigarh, and has over three decades of rich and varied experience in railways and project development.

RVNL holds strong linkages with the MoR and is professionally managed by the board of directors comprising four whole-time directors, CMD and two independent directors. RVNL also receives interest free mobilisation advances from MoR for executing MoR projects, which lowers dependence on external debt.

Strong order book position

As on January 31, 2025, the company's orderbook stood at over ₹96,780 crore with a revenue visibility of over 4.45x the FY24 income from operations. Earlier, the company used to be nominated by the MoR for railway projects, which shifted to a competitive bidding basis. CARE Ratings takes cognisance of RVNL procuring ~₹49,000 crore of projects on competitive bidding basis of the total outstanding orderbook. CARE Ratings further believes that RVNL will continue to secure a comfortable portion of such tenders under the bidding system by its long-standing experience in executing railway projects. Of the total order book outstanding as on January 31, 2025, ~49% orders are received on nomination basis from the MoR, proportion of projects on nomination, however, is expected to continue to decrease the next 2-3 years, in which, competitive bidding will contribute to a majority chunk of projects. The company is also pursuing diversification of the orderbook and has taken up projects in the road, irrigation, electrical transmission works, and mass rapid transit (MRT) segments. RVNL has started bidding in open market and apart from bidding in domestic and RVNL is also pursuing international projects through JVs/MoUs to augment its operations. RVNL plans to leverage on its project management skills and sound technical qualifications to secure projects in era of discontinuation of nomination policy from MoR.

Projects on nomination from the MoR are 'cost-plus' in nature, where RVNL receives a fixed management margin over the cost incurred for executing these projects. RVNL is not required to furnish performance or advance BGs for these cost-plus projects. Currently, majority of RVNL's projects are based within India. However, the company has taken projects in Maldives, East Africa, Uzbekistan, Saudi Arabia and proposes to take up more projects overseas as well.

Established track record and proven project execution capabilities

The company began operations in 2005 for raising extra-budgetary resources and implementation of projects relating to creation and augmentation of capacity of rail infrastructure on fast-track basis. The company has contributed to over 35% of railway doubling and over 25% of railway electrification done in India. RVNL has also been rated "Excellent" 11 consecutive times by the Department of Public Enterprises (DPE), Government of India. CARE Ratings believes the established track record and execution capabilities will aid RVNL in securing new projects and improve revenue visibility and cash flow generation.

Low counterparty risk

The company's client list is dominated by central and state government undertakings such as Zonal Railways, National Highways Authority of India, and State Metro Rail Corporation among others, which largely mitigates the counterparty risk.

Healthy growth in scale of operations with low reliance on external debt

The company exhibits a favourable financial risk profile due to its project management capability, allowing it to scale up operations to ensure healthy cash generation. RVNL's total operating income (TOI) reported a compounded annual growth rate (CAGR) of 22% for the last five fiscals and stood at ₹21,733 crore (PY: ₹20,282 crore) for the fiscal year ended March 31, 2024, reporting a modest improvement of 7.15%. RVNL operates through sub-contracting and has a track record to sub-contract the projects to marquee contractors.

The company does not have significant fund-based working capital limits. For projects from MoR, RVNL has a monthly back-to-back basis reimbursement mechanism in place, where monthly payment is made to sub-contractors by RVNL's accruals and bills are subsequently reimbursed by Indian Railways with a management margin. Low counterparty risk from the principal contractor, Indian Railways, also ensures availability of working capital.

RVNL has low dependence on external bank borrowings. However, certain projects of RVNL are funded by Indian Railway Finance Corporation (IRFC), where IRFC extends loans to RVNL for executing these projects. These projects fall under the purview of the memorandum of understanding (MoU) between MoR and RVNL, where RVNL is responsible for financial closure, monitoring, satisfactory completion and commissioning of these projects and MoR shall take or cause to be taken, all action, including provision of funds, facilities, services and other resources necessary or appropriate to enable RVNL to perform its obligations and shall cause RVNL to perform its obligations in accordance with the Loan Agreement and Project Implementing Agreement. According to the MoU, funds for servicing these loans are provided by the Railway Board and servicing is passed through RVNL's accounts.

The adjusted debt (excluding the IRFC pass-through debt and interest-free advances from MoR) to TNW of RVNL and adjusted debt to PBILDT stood at 0.01x and 0.03x, respectively, as on March 31, 2024. Change in stance of the same leading to deterioration in external debt/PBILDT exceeding unity shall be key rating monitorable.

Key weaknesses

Inherent challenges associated with the construction industry

Disproportionate hike in commodity prices compared to inflation indexation, aggressive bidding, delay in achievement of financial closure, or delay in project progress due to unavailability of regulatory clearances may affect the contractor's credit profile and exert pressure on margins of entities operating in the industry.

Moderate profit margins

The company's profitability parameters have remained stable marked by PBILDT margins of 6.27% in FY24 (PY: 6.22%). Margins are expected to be range bound between short-and-medium term as proportion of projects from nomination adding to turnover is expected to be reducing in the medium term. CARE Ratings observes, RVNL's ability to maintain existing scale up of operations and improve profitability while securing and executing projects from competitive bidding shall be crucial.

Exposures to subsidiaries/JVs and life cycle risks of BOT projects

RVNL has a portfolio of five operational SPVs incorporated as JVs for implementing and operating specific railway projects on BOT basis. RVNL also has three hybrid annuity model (HAM) road projects at nascent stages and three multi-modal logistic park (MMLP) SPVs. RVNL also has long-standing interest-bearing debtors from their JV, 'Krishnapatnam Railway Company Limited (KRCL)' where ₹642 crore (PY: ₹762 crore) is outstanding as debtors and ₹811 crore (PY: ₹672 crore) is outstanding as interest. Together, dues from KRCL form ~18.50% (PY: 22%) of RVNL's net worth. The JV is undergoing arbitration with the Southern Central Railway (SCR) for clearance of operational dues payable by SCR to KRCL. Per management articulation, arbitration award has been received in favour of RVNL, however, MoR is planning to challenge against it. This is expected to be a key monitorable.

The MMLP JVs are expected to be having only equity-funded works and debt funding in these SPVs is not envisaged by RVNL. The HAM projects of RVNL are also in their initial stages, where two projects have received appointed date and construction has started while in one appointed date is pending and the other is recently awarded, these projects entail 2-3 years of construction, which is being funded by a debt-equity mix exposing the company to risks associated with project execution. Total equity commitment for RVNL is ~₹600-700 crore, which are to be funded by internal accruals over 2-3 years. Going forward, some upstreaming of surplus cash flow is also estimated from Railways SPVs. Exposure to subsidiaries in the form of investment and loans advances as percentage of net worth stood low at ~20% as on March 31, 2024. CARE Ratings observes, extent of exposure in BOT projects and its impact on capital structure shall be key monitorable.

This apart, the company is also exposed to life cycle risks of these public private partnership (PPP) projects such as revenue risk and financial risks among others.

Liquidity: Strong

RVNL's liquidity is strongly supported by strong cash generation from its own operations. This apart, cost-plus nature of the MoR orders with funding for execution met on back-to-back basis between Indian Railway and contractors provide readily available working capital support and stability to RVNL's margins. The company does not have debt obligations to be serviced from its accruals. Debt on the books is completely of pass-through nature, where servicing of debt is done by MoR passing through RVNL's books making the company's cash flow position strong. Unencumbered cash and bank balances stood at ₹1028 crore as on March 31, 2024.

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

ESG issues are credit neutral or have only minimal credit impact on RVNL, as listed below:

	Risk factors	Mitigating measures
Environmental	1. Material selection 2. Water consumption 3. Method of construction 4. Waste management 5. Greenhouse emissions 6. Recycling	The company has been consistently laying emphasis on utilising energy efficient equipment in its office premises and across projects to minimally affect the ecology and environment. Solar panels are installed at all railway stations and level crossings. LED lighting system, and wherever feasible, automatic censor-based lightings are installed. Regarding waste management and recycling, RVNL follows a 4-point strategy focussed towards minimising waste and following a circular economy. RVNL also keeps track of environmental regulations to keep its operation up to date, the staff is also provided with training for environmental awareness.
Social	1. Workmen safety 2. Community impact 3. Emergency response planning	For occupational health, RVNL follows comprehensive training for employees, addresses workplace risks, and uses feedback for ongoing safety enhancement. Towards community impact, RVNL conducted welfare programmes, such as, COVID-19 testing/vaccination camps, emergency control room, first-aid facility equipped with medical beds, oxygen concentrators, COVID-19 medicines, facemasks, medical camps empanelment of hospitals for cashless and hassle-free admission and provision of bed facility in case of hospitalisation among others. At corporate office and PIUs for the welfare of employees.
Governance	1. Stake holder engagement, supply chain management 2. Internal controls 3. Composition of the board 4. Diversity 5. Code of conduct	RVNL has a transparent reporting system governed by a board of nine directors consisting of one government nominees including the member of the railway board. There is a defined whistle-blower mechanism, regular internal, and external checks for maintaining robust control.

Applicable criteria

Definition of Default
Factoring Linkages Government Support
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Construction
Infrastructure Sector Ratings
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil construction

RVNL was incorporated as PSU on January 24, 2003, with the vision of the then Hon'ble Prime Minister, Bharat Ratna Late Atal Bihari Vajpayee, to bridge the infrastructure deficit on Indian Railways. The company was granted Miniratna status in September 2013 and subsequently upgraded to Navratna status in 2023. RVNL generally works on turnkey basis and undertakes full cycle of project development from conceptualisation to commissioning, including stages of design, preparation of estimates, calling and award of contracts, project and contract management, among others. The company has been listed after disinvestment of 12.16% stake of GoI through IPO. Through subsequent offers for sale (OFS), the subsequent GoI holding was divested to meet minimum public shareholding requirement as stipulated by Securities Exchange Board of India (SEBI).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	20,282	21,733	13,524
PBILDT	1,262	1,363	712
PAT	1,268	1,463	815
Overall gearing (times)*	0.83	0.64	NA
Interest coverage (times)	2.18	2.40	1.68

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results
*Including IRFC pass through debt

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE AAA; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	8500.00	CARE AAA; Stable / CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Issuer Rating-Issuer Ratings	LT	-	-	-	1)Withdrawn (01-Nov-23)	1)CARE AAA; Stable (26-Dec-22) 2)CARE AAA (Is); Stable (03-Oct-22)	-
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	8500.00	CARE AAA; Stable / CARE A1+	1)CARE AAA; Stable / CARE A1+ (05-Apr-24)	1)CARE AAA; Stable / CARE A1+ (01-Nov-23)	-	-
3	Fund-based - LT-Cash Credit	LT	30.00	CARE AAA; Stable	1)CARE AAA; Stable (05-Apr-24)	-	-	-

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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