

Chairman and Managing Director's Message

“Our responsibility towards stakeholders has never been greater and we are earnestly taking these responsibilities.”



Dear Shareholders,

I am proud of the way your company has responded to the pandemic; it has been a testament to its resilience as an organization and as a family. Our responsibility to our clients, shareholders, employees and society has never been greater in last 47 years and we are taking these responsibilities earnestly.

During the Financial Year 2020-21, we overcame pandemic-related impediments to keep our business running and as a results, we were able to achieve a consolidated revenue and profit after tax of ₹ 2005 crore and ₹ 444 crore, respectively, while sustaining our profit margins at 22.2%. RITES achieved total standalone revenue of ₹ 1947 crore and the operational revenue, excluding other income of ₹ 1797 crore. Nevertheless, the pandemic did impact our profit before tax and profit after tax in FY2020-21 which stood at ₹ 562 crore and ₹ 424 crore, respectively, down by 31.6% and 28.8% over FY2019-20.

The decrease in revenue is mainly attributable to pandemic-induced disruptions and supply chain restrictions. Key business segments continued to sustain margins due to timely cost-control measures. Sectoral diversity, geographical distribution and digitalisation helped your Company in identifying new business opportunities, consolidating order

book and maintaining a diversified business portfolio.

The audited accounts of the Company for the FY 2020-21 along with the Directors' Report, Report of Auditors and comments of Comptroller and Auditor General of India are part of this report.

ORDER BOOK

The unexecuted order book as on March 31, 2021, stood at ₹ 6277 crore, which gives us strong revenue and margin visibility for the next 2-3 years. During the last financial year, your Company has experienced delays in project initiations and tendering activities caused by Covid-19 related disruptions. However, your Company still managed to consolidate its order book.

DIVIDEND & BUYBACK

The Board of Directors has recommended a final dividend of ₹ 4 per share (₹ 96.12 crore) for FY 2020-21. This is in addition to the earlier two interim dividends of ₹ 5 per share and ₹ 4 per share, which were paid to the esteemed shareholders in January 2021 and March 2021, respectively. This takes the dividend payout (on an accrual basis) of the Company to 73.6% on the standalone PAT of FY 2020-21.

Also, your Company returned ₹ 257 crore to its shareholders in its maiden buyback.

TRANSPORT INFRASTRUCTURE AND RITES

The key infrastructure sectors, where your Company is actively pursuing business in India and abroad, may have taken a hit during this year but as the restrictions are easing out, they are experiencing a rebound in growth with increasing investments from the Government and private sector. The multiplier effect of infrastructure development in generating more jobs and entrepreneurial opportunities is undoubted.

The National Infrastructure Pipeline (NIP), the National Rail Plan-2030 and various reforms in the transport infrastructure sector define a path for providing world-class infrastructure across India. Driving the change, the Indian Railways is making holistic improvements across areas such as high-speed travel, electrification, safety, track modernization (building double track railway lines, switching from one track gauge to another, and new lines), signalling systems, capacity increase and use of renewable energy.

Your Company has continued to strengthen its position in providing comprehensive consultancy to the rail, road, port, airport, metro sector and institutional buildings in India. In the international business sphere, export & leasing of rolling stock and engineering consultancy are the key domains and your Company is uniquely positioned to capture business opportunities in Africa, Middle East and South East Asia wherein railway and road infrastructure is in urgent need for upgrade and inter-connectivity.

SELECT PROJECTS

During this year, your Company prioritized the health and safety of its employees while maintaining business continuity & keeping essential services running under difficult circumstances and pitched in to help communities battle the pandemic. Amid competitive and Covid-hit scenario, it has continued to provide customized solutions in its sectors of operation to its clients.

FOREIGN

During the year, your Company not only signed (post negotiations through video-conferencing) the contract for supplying 06 Cape Gauge AC-AC Traction Diesel Electric Locomotives and 90 Cape Gauge Passenger Coaches, including 05 sets of DEMUs, to CFM Mozambique but was able to supply 2 locomotives despite supply chain disruptions. Export to Sri Lanka of 160 main line passenger coaches and 2 sets of fully air conditioned DMUs, has also started with the first lot of 10 coaches shipped, however 30 coaches were at port as on 31st March 2021, ready to be shipped.

Besides export of rolling stock, your Company consolidated its position abroad in consultancy projects by taking up projects such as Project Management Consultancy (PMC) for 4-Lane National Highway project in Bangladesh and Construction Supervision Services for Metro Express project in Mauritius, Design & PMC services for Development of Infrastructure at airport in Mauritius, Design and PMC for development of Integrated Check Post at Nepalgunj in Nepal and Consultancy for old runway rehabilitation at Gautam Buddha International Airport, Nepal.

DOMESTIC

Your company remained a key contributor towards the infrastructure projects in India. On the turnkey front, your Company completed the electrification works between Sawai Madhopur - Jaipur - Ringas Section (188 km) and Vijaypur - Maksi section (188 km) and further secured work for electrification of around 489 RKM. Doubling and third line works are substantially in a completion stage.

A few of the projects where your company provided PMC for Rail Infrastructure for DVC, NTPC, CIL and others, PMC for construction of Western Dedicated Freight Corridor, construction supervision for Srinagar (J&K) airport, Independent Engineer Services for Paradip Port Trust, General Consultancy for Metro Rail System of Ahmedabad, Nagpur, Pune and Delhi, redevelopment work for Ayodhya and Varanasi railway stations are on track.

Your Company also provided services for Detailed Project Reports (DPRs) for railway tunnels for East Coast Railway, 3 highway tunnels for NHIDCL,

establishment of the CORE Network for Mumbai-Ahmedabad and final alignment design for Delhi-Ahmedabad High Speed Rail Corridors, and National Rail Plan for Ministry of Railways.

SUBSIDIARIES & JOINT VENTURES

RITES’ subsidiary Company, REMC Ltd, formerly known as Railway Energy Management Company Limited which has been mandated to handle the entire power procurement under open access for Indian Railways, besides handling renewable energy and energy efficiency projects, has registered a revenue of ₹ 69 crore and PAT of ₹ 24 crore in FY2020-21.

This year, SRBWIP, our wagon manufacturing joint venture with 438 new BOXNHL wagons and 251 rehabilitated BOXNR wagons, achieved revenue and profit of ₹161 crore and ₹2.5 crore, respectively, against ₹ 265 crore and ₹15.5 crore, respectively, in previous year.

Besides, your Company has acquired 24% stake in Indian Railway Stations Development Corporation, a nodal agency for redeveloping stations in the country.

COVID IMPACT

The financial year 2020-21 was started on uncertain note with the global health crisis effecting difficult but necessary changes. As it spread to the ravaging second wave in India, our priority was to safeguard the health and well-being of our employees while maintaining business continuity. The lockdowns and other pandemic-induced disruptions tested the agility, resilience and adaptability of our delivery model. And the business continuity plans we have implemented, have made us a stronger and better organisation.

The Covid-19 outbreak has significantly impacted overall infrastructure development in financial year 2020-21, especially in H1. However, during the first wave of pandemic to the extent possible, your Company tried to negate the impact through remote working, including remote inspection at foreign locations through accredited third parties and as and wherever travel restrictions were removed and permission given to open offices, we quickly moved our resources and started operations at those sites.

The impact was felt on all segments of the business, consultancy and quality assurance got impacted due to travel restrictions. However, consultancy business reached the pre-Covid levels by the fourth quarter of FY21. Leasing business fall in H1 due to work getting stopped at various sites of operations only to reach the pre-Covid levels in H2. Due to supply chain disruptions, exports revenue spilled over to FY22. Turnkey business revenue also softened due to restrictions of movement of manpower and materials. Disruptions caused by the pandemic also delayed the tendering activities which have started to pick by the end of the Financial Year.

OUTLOOK

Your Company is now striding towards expediting project execution and exports supply to overcome Covid-induced uncertainties. Our healthy order book, recent project wins and successful project execution strengthen our position as a total transport infrastructure solution provider.

The market forecast for large infrastructure projects is promising, courtesy the expected economic stimulus packages and an investment backlog within the infrastructure sector. Thus, your Company has positioned itself for securing meaningful consultancy role for complex, diverse, critical and mega infrastructure projects in India and abroad. RITES is enhancing its expertise and profile by forming consortiums/JVs for such projects. Your Company’s focus on customisation of meter and broad-gauge rolling stock and product diversification to cape and standard gauge rolling stock market creates large potential for exports. Several countries in Africa and Asia are looking at the Railways with renewed interest which makes times ahead promising for us.

CORPORATE GOVERNANCE

Your Company consistently endeavours to adopt and maintain the highest standards of ethics in all spheres of business activities. It accords highest importance to transparency, accountability and equality in all facets of its operations. Your Company is implementing the precepts of Corporate Governance in letter and spirit.

CONTRIBUTION TO GOVT. OF INDIA INITIATIVES

Your Company has been proactively pursuing the Government of India initiatives such as Skill India, Make in India, including the promotion of MSMEs, Swachh Bharat Mission, promotion of solar ecosystem, Startup India, and Digital India by formulating its business or governance objectives in line with the Government plans.

SKILL INDIA MISSION

In line with the Skill India Mission, your Company has provided more than 10,000 days of training to its employees during 2020-21. It has trained 96 apprentices in the non-technical and non-engineering categories.

PROMOTING MSMEs

During the year, your Company procured goods worth ₹ 42.66 crore from Micro, Small and Medium Enterprises (MSMEs), including those belonging to SC/ST and women categories.

Start-Up India

To catalyse the start-up culture and build a strong and inclusive ecosystem for innovation and entrepreneurship in India, your Company has provided adequate support to one such venture working on fuel energy storage technology.

Digital India

For transparency & efficiency of our operations, reduce paper use and maintain business continuity and enable remote working, especially during the Covid-induced lockdown, several key initiatives have been taken by your Company. E-office, SAP-based Enterprise Resource Planning (ERP), e-procurement for works, mobile app for third-party inspection, inspection through video-conferencing, online grievance handling, and Employee Self Service portal, etc. have been made effective.

CORPORATE SOCIAL RESPONSIBILITY

Your Company understands its responsibility towards society and adopted a 'Corporate Social responsibility and Sustainability policy' to show its commitment towards operating in an economically, socially and environmentally sustainable manner. As a responsible corporate citizen, your Company has spent ₹ 13.41 crore on various CSR activities during the FY 2020-21.

ACKNOWLEDGMENT

I express my gratitude to our esteemed Shareholders, my colleagues on the Board of Directors and to the CEO and Chairman, Members and Officials of the Railway Board, for their valuable support, advice and co-operation. We are particularly grateful to the Ministries of Railways, Road, Transport and Highways, Commerce, Finance, External Affairs, Housing and Urban Affairs, Health and others; departments, including DIPAM, regulators, Indian Embassies & Missions abroad, Foreign Mission & Embassies in India and Exim Bank & other bankers of the Company for their valuable support and guidance. We look forward to your continued encouragement and contribution.

I have never felt as great a sense of purpose and pride in the organisation as I do today. Your Company is strong with deep relationships with clients & stakeholders and I count on their continued support. Also, I would like to thank 'Team RITES' for their untiring efforts and unflinching commitment to achieve the lofty goals it has set for itself.

Given its demonstrated ability to execute on its strategy, your Company is well poised to take advantage of growth opportunities, acquire new capabilities and rebound on to its growth and transformation journey.



Gopi Sureshkumar Varadarajan
Chairman & Managing Director