

## IRCTC

**Indian Railway Catering and Tourism Corporation Limited (IRCTC) is a Central Public Sector Enterprise wholly owned by the Government of India and under the administrative control of the Ministry of Railways. It operates in four business segments, namely, internet ticketing, catering, packaged drinking water under the “ Rail Neer” brand, and travel and tourism.**

**Positives:** (1) It is the only entity authorized by Indian Railways to provide catering services, online railway tickets and packaged drinking water at railway stations and trains in India. 2) From September 01, 2019 Ministry of railways have permitted Company to charge ₹15 for Non- AC & ₹30 for AC ticket booked online. If tickets are booked through BHIM or UPI charges are ₹10 & ₹20 for Non-AC and AC respectively. 3) Market share of packaged drinking water at railway premises and trains will increase to ~80% from ~45% as the number of plants will increase from 10 to 20 by CY21. 4) High dividend payout ratio (44.89% in F.Y.19).

**Investment concerns:** (1) Business and revenues are substantially dependent on Indian Railways. 2) Withdrawal of exclusivity of the Company for catering, online railway ticket and packaged drinking water at railway stations and trains in India by the Ministry of Railways. 3) Adverse claims, media speculation and other public statements relating to the food quality, catering facilities and service. 4) Removal or reduction of Service Charge by Ministry of Railways or instructing IRCTC to share part of revenue with them.

**Outlook & Valuation:** At the upper end of the price band, IRCTC demands PE multiple of 18.8x of FY19 EPS. Recent tax reduction by Government to 25.2% and increase in revenue from service charge for online ticketing will improve profitability substantially going forward. There is also significant opportunity for the Company to ramp up the catering business given a very large captive audience which is currently being underserved. Increasing business volumes from catering and Packaged drinking water businesses, along with service charge for online ticket booking will drive earnings growth for the company between FY19-21. **We would therefore recommend to Subscribe to the issue.**

### Key Financials

Y/E March (₹ cr)	FY17	FY18	FY19
<b>Net Sales</b>	1,535.4	1,470.5	1,867.9
% chg		-4.2	27.0
<b>Net Profit</b>	229.1	220.6	272.6
% chg		-3.7	23.5
EBITDA (%)	20.4	18.6	19.9
<b>EPS (Rs)</b>	14.3	13.8	17.0
P/E (x)	22.3	23.2	18.8
P/BV (x)	6.5	5.4	4.9
RoE (%)	29.1	23.1	26.1
RoCE (%)	36.8	26.1	32.9
EV/EBITDA	13.7	15.7	10.7
EV/Sales	2.8	2.9	2.1

Company Source: RHP, Angel Research; Note: Valuation ratios based at upper price band.

## SUBSCRIBE

Issue Open: September 30, 2019

Issue Close: October 03, 2019

Face Value: ₹10

Present Eq. Paid up Capital: ₹160cr

Offer for Sale: \*\*2.016 cr Shares

Fresh issue: NIL

Post Eq. Paid up Capital: ₹160cr

Issue size (amt): \*₹635 -\*\*₹645 cr

Price Band: ₹315-320

Discount: ₹10 to Retail

Lot Size: 40 shares and in multiple thereafter

Post-issue implied mkt. cap: \*₹5040cr - \*\*₹5120cr

Promoters holding Pre-Issue: 100%

Promoters holding Post-Issue: 87.4%

\*Calculated on lower price band

\*\* Calculated on upper price band

### Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

### Post Issue Shareholding Pattern

Promoters	87%
Others	13%

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## Company background

IRCTC was incorporated with the objective to upgrade, modernize and professionalize catering and hospitality services, managing hospitality services at railway stations, on trains and other locations and to promote international and domestic tourism in India through public-private participation. IRCTC was conferred the status of Mini – ratna (Category-I Public Sector Enterprise) by the Government of India, on May 1, 2008. Company have also diversified into other businesses, including non-railway catering and services such as e-catering, executive lounges and budget hotels, which are in line with the company's objective to build a “ one stop solution” for customers.

### Exhibit 1: Segment Result ( ` in Cr)

Particular (FY19)	Revenue	% of revenue	Segment results	% of segment result
Catering	1044.5	55	119	31.9
Internet Ticketing	234.5	12.3	156.6	42
Tourism	253.1	13.3	22.7	6.2
State Teertha	190.8	10.1	45.3	12.1
Rail neer (drinking water)	176.2	9.3	29.3	7.8
<b>Total</b>	<b>1899.1</b>	<b>100</b>	<b>372.9</b>	<b>100</b>

Source: Company, Angel Research

**Internet Ticketing:** As of August 31, 2019, more than 1.40 million passengers travelled on Indian Railways on a daily basis, which consisted of approximately 72.6% of Indian Railways tickets booked online. As a result, there are more than 0.84 million tickets booked through www.irctc.co.in and “ Rail Connect” on a daily basis. Due to service charge on train booking from September 01, 2019 IRCTC is expected to clock in more than ` 400 revenue on full year basis. However due to implementation of service charge, IRCTC won't be compensated from Government. IRCTC received compensation of ` 80cr and ` 88cr from Government in FY18 & FY19 respectively.

**Catering:** Company provides food catering services to Indian Railway passengers on trains and at stations. Company provides catering services for approximately 350 pre-paid and post-paid trains and 530 static units. Company provide catering services through mobile catering units, base kitchens, cell kitchens, refreshment rooms, food plazas, food courts, train side vending, and Jan Ahaars.

**Travel and Tourism:** Company has footprints in across all major tourism segments such as hotel bookings, land, cruise, air tour packages, air ticket bookings and specialization in rail tourism.

**Packaged Drinking Water (Rail Neer):** IRCTC operates ten Rail Neer Plants with an installed production capacity of approximately 1.09 million litres per day, which caters to approximately 45% of the current demand of packaged drinking water at railway premises and in trains. To increase their presence in the packaged drinking water market at railway stations, and to meet the growing demand, Company is commissioning six new Rail Neer plants. Further four new Rail Neer plants have been approved by the Company's Board of Directors and will be commissioned by 2021.

## Issue Details

IRCTC is selling 2.016cr equity shares through offer for sale in the price band of ₹ 315-320. Retail & eligible employees are also eligible for ₹ 10 discount.

### Exhibit 2: Pre & Post IPO Shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	160,000,000	100	139,840,000	87.4%
Public	0	0	20,160,000	12.6%
	160,000,000	100	160,000,000	100

Source: RHP, Angel Research. Note: Calculated on upper price band.

### Objects of the offer

The purpose of the offer is to carry out the disinvestment and to achieve the benefits of listing the Equity Shares on the Stock Exchanges. Company will not receive any proceeds from the Offer and all proceeds shall go to the Selling Shareholder.

### Key Management Personnel:

**Mahendra Pratap Mall**, aged 58 years is the chairman & Managing Director of the Company. He has experience of over four decades in the agriculture business. He holds a bachelor's degree in Science and a master's degree in Arts (political science) from University of Allahabad. He also holds a diploma in national management programme from Management Development Institute, Gurgaon and was an officer of Indian Railway Accounts Service. He was awarded " most influential CFOs of India" by Chartered Institute of Management Accounts on July, 2015.

**Rajni Hasija**, aged 56 years, is the Whole-time Director (Tourism & Marketing) of the Company since May 18, 2018. She holds a bachelor's and master's degree in Science from University of Delhi. She was an officer of Indian Railway Traffic Service and has 30 years of experience in commercial and operation of railways.

**Narendra**, aged 50 years, is the Director (Finance) of our Company since August 19, 2019. He holds a bachelor's degree in Arts and a master's degree in History from University of Delhi. He is an officer of Indian Railway Accounts Service and presently holding Director (Finance) of the Company in addition to his present position of executive director – finance (Public Private Partnership), Railway Board.

### Consolidated Balance Sheet

Y/E March ( cr)	FY17	FY18	FY19
<b>SOURCES OF FUNDS</b>			
Equity Share Capital	40.0	40.0	160.0
Reserves & Surplus	746.6	914.5	882.8
<b>Shareholders Funds</b>	<b>786.6</b>	<b>954.5</b>	<b>1,042.8</b>
Other liabilities	14.2	31.2	20.5
Provisions	78.0	58.5	46.2
<b>Total Liabilities</b>	<b>878.7</b>	<b>1,044.2</b>	<b>1,109.5</b>
<b>APPLICATION OF FUNDS</b>			
Net Block	170.4	162.2	154.6
Capital Work-in-Progress	16.8	7.7	40.4
Investment property	-	27.6	27.7
Current Assets	1,566.7	2,060.2	2,258.7
Inventories	6.6	7.4	7.9
Sundry Debtors	289.4	550.9	581.7
Cash & Bank	853.0	833.9	1,140.0
Loans & Advances	9.6	9.0	8.4
Other Assets	408.2	659.0	520.7
Current liabilities	947.7	1,274.9	1,474.2
<b>Net Current Assets</b>	<b>619.0</b>	<b>785.3</b>	<b>784.5</b>
Other Non Current Asset	72.5	61.4	102.4
<b>Total Assets</b>	<b>878.7</b>	<b>1,044.2</b>	<b>1,109.5</b>

Source: Company, Angel Research

**Consolidated Income Statement**

<b>Y/E March ( cr)</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>
<b>Total operating income</b>	1,535.4	1,470.5	1,867.9
<i>% chg</i>		-4.2	27.0
<b>Total Expenditure</b>	1,222.8	1,197.3	1,495.7
Direct Expense	958.7	875.3	1,133.5
Personnel	163.8	192.2	195.1
Others Expenses	100.3	129.8	167.2
<b>EBITDA</b>	312.6	273.1	372.2
<i>% chg</i>		-12.6	36.3
<i>(% of Net Sales)</i>	20.4	18.6	19.9
Depreciation & Amortisation	22.4	23.7	28.6
<b>EBIT</b>	290.1	249.5	343.5
<i>% chg</i>		-14.0	37.7
<i>(% of Net Sales)</i>	18.9	17.0	18.4
Interest & other Charges	2.5	2.9	2.3
Other Income	67.5	99.1	88.8
<i>(% of Sales)</i>	4.4	6.7	4.8
<b>Recurring PBT</b>	355.1	345.7	430.0
<i>% chg</i>		-2.7	24.4
Tax	126.0	125.0	157.4
<b>PAT (reported)</b>	229.1	220.6	272.6
<i>% chg</i>		-3.7	23.5
<i>(% of Net Sales)</i>	14.9	15.0	14.6
<b>Basic &amp; Fully Diluted EPS (Rs)</b>	14.3	13.8	17.0
<i>% chg</i>		-3.7	23.6

Source: Company, Angel Research

**Consolidated Cash Flow Statement**

<b>Y/E March ( cr)</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>
Profit before tax	355.1	345.6	430.0
Depreciation	22.4	23.7	28.6
Change in Working Capital	142.3	(176.9)	259.9
Interest	(44.4)	(3.9)	(57.3)
Direct taxes paid	(138.1)	(125.9)	(162.8)
Others	0.9	(38.9)	(5.8)
<b>Cash Flow from Operations</b>	<b>338.2</b>	<b>23.6</b>	<b>492.7</b>
(Inc.)/ Dec. in Fixed Assets	(32.0)	(34.3)	(53.9)
Dividend	-	3.9	6.4
Interest Income	64.8	44.5	40.5
Changes in Bank Balance	60.8	26.1	(339.3)
<b>Cash Flow from Investing</b>	<b>93.6</b>	<b>40.2</b>	<b>(346.4)</b>
Dividend Paid (including DDT)	(135.9)	(56.8)	(179.4)
<b>Cash Flow from Financing</b>	<b>(135.9)</b>	<b>(56.8)</b>	<b>(179.4)</b>
Inc./(Dec.) in Cash	295.9	7.0	(33.1)
<b>Opening Cash balances</b>	<b>190.3</b>	<b>486.1</b>	<b>493.2</b>
<b>Closing Cash balances</b>	<b>486.1</b>	<b>493.2</b>	<b>460.1</b>

Source: Company, Angel Research

### Key Ratios

Y/E March	FY17	FY18	FY19
<b>Valuation Ratio (x)</b>			
P/E (on FDEPS)	22.3	23.2	18.8
P/CEPS	19.7	20.2	18.9
P/BV	6.5	5.4	4.9
EV/Sales	2.8	2.9	2.1
EV/EBITDA	13.7	15.7	10.7
EV / Total Assets	2.3	1.8	1.5
<b>Per Share Data (Rs)</b>			
EPS (Basic)	14.3	13.8	17.0
EPS (fully diluted)	14.3	13.8	17.0
Cash EPS	16.2	15.8	16.9
Book Value	49.2	59.7	65.2
<b>Returns (%)</b>			
ROCE	36.9	26.1	32.9
Angel ROIC (Pre tax)	40.6	28.8	37.1
ROE	29.1	23.1	26.1
<b>Turnover ratios (x)</b>			
Fixed Asset Turnover	9.0	9.1	12.1
Inventory / Sales (days)	35.8	42.1	35.3
Receivables (days)	68.8	136.8	113.7
Payables (days)	32.7	37.4	37.5
Working capital cycle (ex-cash) (days)	71.9	141.4	111.5

Source: Company, Angel Research

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