

Company Overview

IRCTC is a Central Public Sector Enterprise wholly owned by the Government of India and under the administrative control of the Ministry of Railways. They are the only entity authorized by Indian Railways to provide catering services to railways, online railway tickets and packaged drinking water at railway stations and trains in India. They were 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. They 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 its objective to build a "one stop solution" for their customers.

Objects of Issue

The objects of the offer is to utilize the Net Proceeds from the Offer for sale to receive the benefits of listing of the Equity Shares on the Stock Exchanges, enhancement of the company's brand name and creation of a public market for the Equity Shares in India and also for the General Corporate Purposes.

Investment Rationale

Monopoly in railway ticketing and catering business

IRCTC is the only entity authorized by Indian Railways to offer railway tickets online through their website www.irctc.co.in and mobile application, "Rail Connect". Approximately 71.40% of Indian Railways' tickets are booked online with an average of more than 0.80 million tickets booked through www.irctc.co.in and "Rail Connect" on a daily basis. Between Fiscal 2014 and Fiscal 2019, online rail bookings have registered an approximately 12.5% CAGR to reach approximately 284 million annually, with e-booking penetration rising to approximately 70% in Fiscal 2019. Online rail bookings are expected to grow at approximately 8% CAGR to reach approximately 425-435 million in fiscal 2024, with e-booking penetration rising approximately 81 – 83% during the same period.

Diversified into non railway tourism and hospitality services

Currently IRCTC operates in four business segments, namely, Internet Ticketing, Catering, Packaged drinking water and Travel and Tourism. At present it has diversified into railways and non railway catering and services which are in line with their objective to build a "one stop solution" for their customers. It provides various services such as hotel bookings, rail tour packages, cruise, air ticketing and tour bookings. India's travel and tourism industry is expecting to reach approximately INR 11.7 trillion by 2024E. IRCTC has achieved feet of one of India's leading travel and tourism catering to the needs of diverse tourist segments.

Only entity authorized to distribute packaged drinking water (Rail Neer) at all railway stations and trains

IRCTC is the only entity authorized by the Ministry of Railways to manufacture and distribute packaged drinking water at all railway stations and trains through its 10 manufacturing plants having total capacity of ~1.09 million litres per day. The existing production capacities of ten Rail Neer plants located at Nangloi, Danapur, Palur, Ambernath, Amethi, Parassala, Bilaspur, Hapur, Ahmedabad and Bhopal. The total average daily demand for packaged drinking water in India at all railway stations and in trains is approximately 1.8 million liters per day, so currently only able to cater to approximately 45% of the total demand. IRCTC is expanding via additional 10 manufacturing units to increase its presence and meet the increasing demand.

Valuation and Outlook

IRCTC provides strong moat being having monopoly in railway e-ticketing, catering and packed drinking water. We believe top line would shoot up due to levy of convenience fees in near term. On valuation front, at the upper end of the price band, IRCTC is valued at a 4.91x P/BV and 18.78x P/E. Taking into account huge growth prospects and its return ratios i.e. it's RoE of 26.14% and RoCE of 55.13%, stock looks very attractive for investment. We give '**SUBSCRIBE**' rating in the stock.

Issue Details

Offer Period	Sep 30th - 3rd Oct 2019
Price Band	INR.315 to INR.320
Bid Lot	40
Listing	BSE&NSE
Issue Size (no. of shares in mn)	20.
Issue Size (Rs. in bn)	6.4
Face Value	10

Issue Structure

QIB	50%
Retail	15%
HNI	35%
BRLM	IDBI Capital, SBI Capital Market, Yes Securities
Registrar	Alankit Assignments Ltd

Particulars Pre Issue % Post Issue %

Promoter	100	87.5
Public	-	12.5
Total	100%	100%

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



Income Statement (Millions)

Particulars	FY17	FY18	FY19
Revenue from operations	15,354	14,705	18,679
Excise Duty	157	44	
Total revenue	15,196	14,661	18,679
Expenses			
Raw materials consumed	959	948	933
Purchase of stock-in-trade	1,149	1,580	310
Changes in inventory of stock in trade	6	(4)	(1)
Employee benefit expenses	1,638	1,922	1,951
Other Operational Costs	7,314	6,186	10,094
Other expenses	1,003	1,298	1,672
Total Operating expenses	12,071	11,930	14,957
EBITDA	3,126	2,731	3,722
Depreciation and amortisation expense	224	237	286
Other income	675	991	888
EBIT	3,576	3,485	4,323
Finance costs	25	29	23
PBT	3,551	3,456	4,300
Current tax	1,179	1,160	1,882
Deferred Tax charge	81	90	(309)
Total tax expenses	1,260	1,250	1,574
Profit for the Period/ Year	2,291	2,206	2,726
Diluted EPS	14	14	17

Source: Company, BP Equities Research

Cash Flow Statement (Millions)

Particulars	FY17	FY18	FY19
Cash Flow from operating activities	3,382	236	4,927
Cash flow from investing activities	936	402	(3,464)
Cash flow from financing activities	(1,359)	(568)	(1,794)
Net increase/(decrease) in cash and cash equivalents	2,959	70	(331)
Cash and cash equivalents at the beginning of the period	1,903	4,861	4,932
Cash and cash equivalents at the end of the period	4,861	4,932	4,601

Source: Company, BP Equities Research

Balance Sheet (Millions)

Particulars	FY17	FY18	FY19
Liabilities			
Share Capital	400	400	1,600
Reserves and surplus	7,466	9,145	8,828
Net worth	7,866	9,545	10,428
Financial Liabilities	59	242	147
Long-Term Provisions	780	585	462
Other Non Current Liabilities	1,459	1,578	1,978
Total Non Current Liabilities	2,298	2,405	2,586
Financial Liabilities	55	-	254
Short Term Provisions	12	33	138
Other Non Current Liabilities	8,034	11,208	12,431
Total Current Liabilities	8,101	11,241	12,823
Total liabilities	18,265	23,191	25,838
Assets			
Tangible Assets	1,578	1,556	1,471
Capital work in progress	168	77	404
Investment Property	-	276	277
Intangible Assets	126	66	75
Other Financial Assets	601	494	796
Other non-current assets	124	120	229
Total Non Current Assets	2,598	2,589	3,251
Current investments			
Inventories	66	74	79
Trade Receivables	2,894	5,509	5,817
Cash and Bank Balances	8,530	8,339	11,400
Short-Term Loans and Advances	96	90	84
Other current assets	4,082	6,590	5,207
Total Current Asset	15,667	20,602	22,587
Less: Current Liabilities	8,101	11,241	12,823
Net Current Assets	7,566	9,361	9,764
Total assets	18,265	23,191	25,838

Source: Company, BP Equities Research

Key Risks

- ⇒ Competition from new and existing companies may reduce demand for services or cause them to lose visitor traffic, market share or paying subscription suppliers, any of which could adversely affect their business, financial condition and results of operations.
- ⇒ Growth of business depends on the growth of mobile Internet penetration and supporting infrastructure in India, and the steady emergence of mobile technology as a viable medium for transacting business.
- ⇒ Company rely on telecommunications and information technology systems, networks and infrastructure to operate their business and any interruption or breakdown in such systems, networks or infrastructure or technical systems could impair the ability to effectively

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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Corporate Office:

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001
BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591
BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392