

Hardik Shah

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Issue Details	
Issue Size (Value in ` Mn, Upper Band)	6,451.20
Fresh Issue (No. of Shares in Mn)	0.00
Offer for Sale (No. of Shares in Mn)	20.16
Employee Discount	Rs 10
Retail Discount	Rs 10
Bid/Issue opens on	Sept 30, 2019
Bid/Issue closes on	Oct 3, 2019
Face Value	Rs 10
Price Band	Rs.315- Rs.320
Lot Size	40 Shares

Objects of the Issue

To carry out the disinvestment of Equity Shares by the Selling Shareholder.
To achieve the benefits of listing the Equity Shares on the Stock Exchanges

Offer for Sale:

The Company will not receive any proceeds from the Offer for Sale.

Book Running Lead Manager
IDBI Capital
SBI Capital Markets Ltd
YES Securities (India) Limited

Registrar to the Offer
Alankit Assignments Ltd

Capital Structure (` MN, at Upper Band)	Aggregate Value
Authorised share Capital	2500.00
Subscribed paid up Capital (Pre-Offer)	1600.00
Paid up capital (Post - Offer)	1600.00

Share Holding Pattern %	Pre Issue	Post Issue
Promoters & Promoter group	100%	87.4%
Public	0%	12.6%
Total	100%	100%

Financials

Description(Rs. Mn)	FY19	FY18	FY17	FY16
Operating Income (Net)	18679	14705	15232	13668
Total Expenditure	14947	11973	12265	11764
Operating Profit (Excl OI)	3732	2732	2967	1904
Other Income	888	991	564	1390
EBITDA	4620	3723	3531	3293
Depreciation	286	237	224	205
EBITDA	4333	3486	3307	3088
Interest	34	30	26	1
PBT	4300	3456	3280	3087
Provision for Tax	1574	1250	1168	1200
Profit After Tax	2726	2206	2113	1886
Earnings Per Share	17.04	55.15	53.67	94.32

Company Description

IRCTC was incorporated with the objective to upgrade, modernize, professionalize and manage catering and hospitality services, at railway stations, on trains and other locations and to promote international and domestic tourism in India through public & private participation.

IRCTC is 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.

Currently, IRCTC operates in 4 business segments, namely, Internet Ticketing, Catering, Packaged Drinking Water and Travel and Tourism. IRCTC has 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 their objective to build a "one stop solution" for their customers.

Key Investment Rationale:

- Authorised by the minister of railway to offer Indian railway tickets online
- Authorized catering service provider to passengers travelling by Indian railway
- Comprehensive tourism and hospitality service provider in India.
- Exclusively authorized for manufacturing and supplying packaged drinking water at railway stations and train.
- Robust operating system and internal controls.

Business Profile:**Internet Ticketing (12% of the total revenue)**

Under this segment, the company offers railway tickets through its website and mobile application. The company currently has a market share of 71.2% and the rest being booked offline through ticket counters. Currently the website is the most transacted websites in the Asia-Pacific region with a transaction volume of more than 25 mn/month and 7.2 mn logins per day.

Catering (55% of the total revenue)

IRCTC provides catering services to Indian railway passengers in trains and stations. The company has a wide distribution network for food services through mobile catering units, cell kitchens, refreshment rooms, food plazas, food courts, train side vending, and Jan Ahaar. The company also offers e-catering services to passengers through mobile application 'Food on Track' and e-catering websites.

Packaged drinking water (9% of the total revenue)

Currently, IRCTC has 10 Rail Neer plants at different locations with an installed production capacity of approximately 1.09mn litres per day, which caters to approximately 45% of the current demand of packaged drinking water at railway premises and in trains. The management expects 6 more plants to be operational in FY19 and additional 4 during FY20. With this addition in capacity, the company will be able to cater ~85% of the total demand.

Travel and Tourism (24% of total revenue)

IRCTC has been mandated by the Indian Railways to provide tourism and travel related services. As of now, company have footprints in across major tourism segments such as hotel bookings, rail, land, cruise and air tour packages and air ticket bookings.

Valuation & View

IRCTC has unique business model and the company does not have any competition across any business segment. Based on various parameters like strong earnings profile, diversified business segment, healthy return ratio, debt free status and most importantly monopoly business, we have a positive view on the issue. The issue has been offered at a price band of Rs 315-320 per equity share. At the upper price band of Rs 320, the stock is available at P/E multiple of 18.8x to its FY19 EPS of Rs 17. We have a positive outlook for the company and we recommend investors to Subscribe to this issue.

Business Highlights:**Business Strategies:**

- Diversifying and offering new services to the passengers.
- Continue to leverage the government's policy relating to business.
- Strengthen products and services offering online.
- Strengthen operational efficiencies.

Key Strengths:

- Monopoly business with absolutely no competition.
- Exclusively authorized for manufacturing and supplying packaged drinking water at railway stations and train.
- Debt free status with strong historical performance.
- Robust internal control system.

Key Risks:

- The company's business and revenues are substantially dependent on Indian Railways. Any adverse change in policy of the Ministry of Railways may adversely affect profitability.
- The company does not have ability to pass on any increase in raw ingredient costs due to price regulation by Indian Railways.
- The company uses PET bottles and other plastic items for its packaged drinking water and food, which is subject to various regulatory requirements and increasing public scrutiny.
- Indian food service industry and package water industry have both historically been fragmented and unorganized, lacking sufficient reliable industry data.

Opportunities

- As per the National Restaurant Association of India (NRAI), the food services industry is estimated to grow at a ~11% CAGR driven by growing young population, rising disposable incomes, uptick in discretionary spending on eating out, which is likely to add to the topline of the company.
- Domestic Tourist Visits (DTV's) to all States/UTs in India have seen strong growth.
- The government had announced a planned outlay of INR1.6 trillion for the railways.
- IRCTC has a market share of ~71.2% in ticket booking which is expected to rise to 83.5% by FY22.
- Market share in packaged drinking water is ~45% which has the potential to rise up to 100%.

Company and Directors

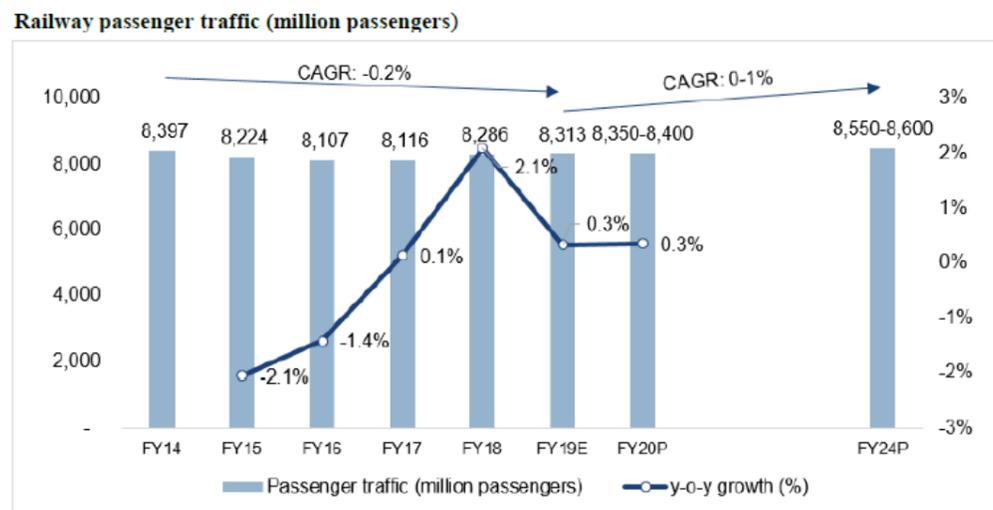
The company was incorporated as "Indian Railway Catering and Tourism Corporation Limited" on September 27, 1999. The company's promoter is the President of India, acting through the Ministry of Railways ("MoR"), Government of India ("GoI"). The company was conferred with the 'Mini-Ratna-I' status in 2008.

- **Mahendra Pratap Mall is the Chairman and Managing Director** of the company since September 18, 2017. He is experienced in accounting and finance sector. He was awarded "DF of the year" award by Bharat Nirman NGO in July, 2015 and "most influential CFOs of India" by Chartered Institute of Management Accounts on July, 2015.
- **Rajni Hasija is the Whole-time Director (Tourism & Marketing)** of the company since May 18, 2018. She was an officer of Indian Railway Traffic Service and has 30 years of experience in commercial and operation of railways.
- **Narendra is the Director (Finance)** of the company since August 19, 2019. 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. He is experienced in the field of accounts and finance.
- **Neeraj Sharma is the Part-time Government Director** of the company since July 12, 2018. He is an Indian Railway Traffic Service Officer and has more than 25 years of experience in the railway sector.

Overview of Railway Sector in India

Passenger traffic growth has remained flat over the past four years:

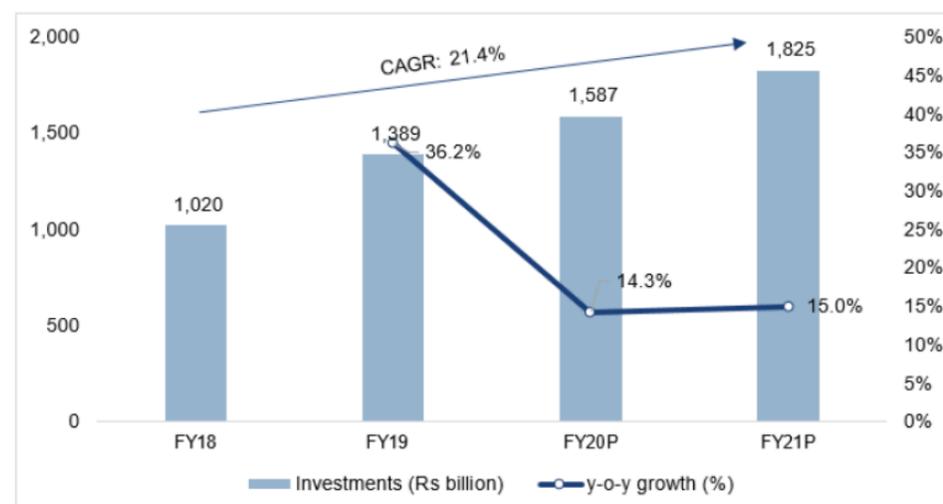
Total railway passenger traffic has remained nearly flat over the past four years, going from 8,397 million passengers in fiscal 2014 to 8,286 million passengers in fiscal 2018. Passenger traffic, after falling by 1-2% between fiscals 2014 and 2016, witnessed a revival in fiscal 2018, largely driven by a turnaround in non-suburban traffic.



Source: Indian Railways, CRISIL Research

Robust investments over the next three years by the government:

The government announced a planned outlay of Rs 1.59 trillion for the railways in the Interim Union Budget, 14% higher than the preceding year's revised estimate of Rs 1.39 trillion, thus driving investment in the sector. In the short term, investments in railways are expected to continue the strong momentum as government maintains focus on network decongestion, particularly doubling and electrification works.



Source: Indian Railways, CRISIL Research

OVERVIEW OF FOOD SERVICES/CATERING INDUSTRY

Railway catering refers to the catering services provided to railway travellers on trains as well as on stations and other railway establishments operated by Indian Railways. IRCTC is primarily responsible for providing catering services to patrons of Indian Railways through on-board catering services and its outlets/stalls operated on stations. Railway catering can be categorized on the basis of point of consumption or sale as follows:

Mobile catering: Mobile catering refers to catering services provided to rail travellers aboard a train, through a pantry car attached to the train or base kitchens (large cooking and packing facility within/near Railway premises for food preparation and distribution to trains or static units) located at major stations in the country.

Static catering: Static catering refers to catering services offered to patrons at static units at railway establishments located at railway stations across the country. These static units include Jan Ahars (unit serving economy combo meals comprising of regional and local items), Cell Kitchens (mini base kitchens supplying food to trains or static units), Refreshment Rooms (unit where a-la-carte items, ready-to-eat meals, and thali meals are served), Food Plazas (multi-cuisine plaza serving food items at market-driven rates), Fast Food Units (major units selling fast food).

E-catering: E-catering is an online food ordering service, launched by IRCTC in September 2014, that allows rail travellers, who are willing to pay higher prices for variety in food options, to order food items from partner restaurants listed on IRCTC's Food on Track app, IRCTC's e-catering website, and online platforms of other partner aggregators approved by IRCTC. Rail travellers can use their Passenger Name Reservation (PNR) number to order food items available with listed restaurants in the vicinity of approaching railway stations, any time after booking of ticket and up to two hours of scheduled arrival of the train, and have it delivered to the seat/berth allotted on their PNR number. The partner restaurants are selected through a tendering process and pay IRCTC 12% flat commission of the order value.

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