

Indian Railway Catering & Tourism Corp. Ltd.

Issue Snapshot:

Issue Open: September 30 – October 03, 2019

Price Band: Rs. 315 – 320 (A discount of Rs 10 to the Employees and Retail Category)

Issue Size: 2,01,60,000 eq shares
(Entirely Offer for sale)

Issue Size: Rs. 635.04 -645.12 crs

QIB	upto 10,000,000 eq sh
Non Institutional	atleast 3,000,000 eq sh
Retail	atleast 7,000,000 eq sh
Employee	upto 160,000 eq sh

Face Value: Rs 10

Book value: Rs 65.18 (March 31, 2019)

Bid size: - 40 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs. 160.00 cr
Post issue Equity:	Rs. 160.00 cr

Listing: BSE & NSE

Book Running Lead Manager: IDBI Capital Markets & Securities Limited, SBI Capital Markets Limited, YES Securities (India) Limited

Registrar to issue: Alankit Assignments Limited

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	100.0	87.40
Public & Employee	0.00	12.60
Total	100.0	100.0

Source for this Note: RHP

Background & Operations:

As a Central Public Sector Enterprise wholly owned by the Government of India and under the administrative control of the Ministry of Railways, Indian Railway Catering & Tourism Corporation Ltd (IRCTC) is the only entity authorised by Indian Railways to provide catering services to railways, online railway tickets and packaged drinking water at railway stations and trains in India. It 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. It operates one of the most transacted websites, www.irctc.co.in, in the Asia-Pacific region with transaction volume averaging 25 to 28 million transactions per month during the five months ended August 31, 2019. It 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 its objective to build a “one stop solution” for its customers. Currently, IRCTC operates in four business segments, namely, internet ticketing, catering, packaged drinking water under the “Rail Neer” brand, and travel and tourism:

Internet Ticketing: IRCTC is the only entity authorised by Indian Railways to offer railway tickets online through its website and mobile application. It currently operates one of the most transacted websites in the Asia-Pacific region with a transaction volume of more than 25 million per month and 7.2 million logins per day. The booking of railway tickets through the internet is now available 24 hours per day, 365 day per year, with the only exception being daily maintenance closure from 23:45 hours to 00:20 hours. The main objective behind the introduction of the internet ticketing was that instead of requiring passengers to be physically present at the Passenger Reservation System (PRS), the PRS should be brought to the door steps of passengers.

Catering: IRCTC provides food catering services to Indian Railway passengers on trains and at stations. On-board catering services are referred to as mobile catering and catering services at stations are referred to as static catering. It provides catering services through mobile catering units, base kitchens, cell kitchens, refreshment rooms, food plazas, food courts, train side vending, and Jan Ahaars over the Indian Railways network. All other catering units, such as refreshments rooms at stations categorised at B or below, AVMs, milk stalls, and trolleys are managed by zonal railways. IRCTC also offer e-catering services to passengers through its mobile application "Food on Track" and its e catering website, www.ecatering.irctc.co.in.

Packaged Drinking Water (Rail Neer): IRCTC is the only entity authorised by the Ministry of Railways to manufacture and distribute packaged drinking water at all railway stations and on trains, according to CRISIL. It manufactures and distribute packaged drinking water under brand “Rail Neer”. Currently, it operates ten Rail Neer plants located at Nangloi, Danapur, Palur, Ambernath, Amethi, Parassala, Bilaspur, Hapur, Ahmedabad and Bhopal, 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. **Travel and Tourism:** It has been mandated by Indian Railways to provide tourism and travel related services. It has footprints in across all major tourism segments such as hotel bookings, rail, land, cruise and air tour packages and air ticket bookings, and are known as one of India's leading travel and tourism companies catering to the needs of diverse tourist segments. With the strength of being a CPSE under the administrative control of the Ministry of Railways, it specializes in rail tourism. It has an established track record of delivering strong annual returns to shareholders and its return on equity has exceeded 23% for each fiscal year since Fiscal 2017. It has been a profitable and debt free company since incorporation.

Objects of Issue:

The objects of the Offer are: (i) to carry out the disinvestment of 20,160,000 Equity Shares by the Selling Shareholder constituting 12.60% of IRCTC's paid up Equity Share capital and (ii) to achieve the benefits of listing the Equity Shares on the Stock Exchanges. IRCTC will not receive any proceeds from the Offer and all proceeds shall go to the Selling Shareholder.

Competitive Strengths

Authorised by the Ministry of Railways to offer Indian Railway tickets online: IRCTC is the only entity authorised by Indian Railways to offer railway tickets online through its website www.irctc.co.in and mobile application, "Rail Connect". During June 2019, an average of more than 1.40 million passengers reserved online tickets and travelled on Indian Railways every day. 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, according to CRISIL. It currently operates one of the most transacted websites in the Asia-Pacific region with a transaction volume of more than 25 million per month, and with 7.2 million logins per day. Its website and database are extremely valuable assets and offer numerous ways for it to optimize growth opportunities. With a surge in e-commerce driven by increasing internet penetration in India, the variety and volume of the user data available online will continue to expand. Significant web traffic volume creates leads for online businesses such as air tickets, hotels and tour package bookings, and opportunities to generate revenue by cross-selling services and products. Its customer database is one of its key competitive strengths, which it leverages to cross-sell its different services and products. Its internet – ticketing system is designed and operated in conjunction with the Centre for Railway Information Systems ("CRIS"), the IT arm of Indian Railways.

Authorised catering service provider to passengers traveling by Indian Railways: As a CPSE under the Ministry of Railways, IRCTC is the only entity authorised to manage the catering services on board trains and major static units at railway stations under the Catering Policy 2017. Since it began its business operation in 1999, it has continuously focussed on improving the standard of catering services by setting up fully equipped base kitchens, appointing professionally trained staff and maintaining stringent quality control systems. This includes deployment of food safety supervisors at base kitchens, use of quality ingredients for cooking, as well as improved means of packaging in order to ensure hygiene in the catering services it provides to Indian Railways. It also conducts third party audits to assess the quality of service rendered to the travelling passengers. A significant number of passengers utilizing its services on a daily basis provides opportunity for further expansion, especially in terms of cross-selling of different business products and services which it offers. Its years of experience in catering to passengers on board the trains and at stations has provided it with deep knowledge of customers' expectations. Based on its experience and customer feedback, IRCTC carefully design and adjust its catering products and services offering to suit its customers' changing demands. Its understanding of the market has enabled it to grow its business with improved passenger satisfaction.

Comprehensive tourism and hospitality service provider in India: According to the World Travel and Tourism Council (WTTC), direct contribution of India's travel and tourism industry to GDP will grow by approximately 12%, and is expecting to reach approximately Rs 11.7 trillion in 2024, driven by factors such as improved connectivity and affordability of air and rail travel, government policy initiatives for promoting domestic tourism, growing convenience of online travel bookings, and higher exposure to unexplored domestic and foreign tourist destinations due to social media. To capture the market growth, it works closely under the Ministry of Railways' directive. Through cross-selling, e-commerce and intelligent travel solutions, its close ties with the Government and private entities has positioned it well to serve as the "one window solution" to customers in the tourism and hospitality industry. Additionally, IRCTC along with M/s Balmer Lawrie & Company Limited and M/s Ashok Travels & Tours, are the three entities permitted by the Government of India to offer air ticketing service to different ministries at both the Central and State Government level. To facilitate service to these central and state ministries, it has introduced an advance rolling deposit system, whereby it issues air tickets to the extent that the costs has been prepaid by the respective ministries. Regular top-ups will take place to ensure undisrupted services. It has developed a Corporate Tool that enables corporates to issue tickets themselves from their own premises. Separate login IDs and passwords are issued to corporates. This is also linked with an RDS account. Working closely with the Central Government, IRCTC is an authorised entity to operate special election trains for movement of paramilitary forces across India for general and assembly elections. It also operates state-special trains, and "pilgrim trains" for various state governments where the beneficiaries are selected by the respective state primarily senior citizens. This collaborative partnership with the Central and State Government provides IRCTC with additional revenues.

Exclusively authorised for manufacturing and supplying packaged drinking water at railway station and trains: IRCTC is the only entity authorised by the Ministry of Railways to manufacture and distribute packaged drinking water at all railway stations and trains, subject to availability of Rail Neer. 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, and it is able to cater to approximately 45% of the total demand based on the existing production capacities of its ten Rail Neer plants located at Nangloi, Danapur, Palur, Ambarnath, Amethi, Parassala, Bilaspur, Hapur, Ahmedabad and Bhopal. Its overall production capacity at the ten operational plants of Rail Neer is approximately 0.83 million liters per day. It has also installed 1,950 WVMs at 700 railway stations as of August 31, 2019 to provide purified, chilled and potable drinking water to railway passengers at an affordable rate. IRCTC has entered into an agreement with NTPC Limited (NTPC) to develop a Rail Neer plant at Simhadri

(Vishakhapatnam). Sustained growth in domestic and inbound tourism coupled with preference for packaged drinking water over tap water is expected to be a major driver for bottled water demand in India. The packaged drinking water market is expected to further grow by 16-17% CAGR and reach Rs 180-185 billion in fiscal 2024. With the current mismatch in supply and demand, it has a significant opportunity to grow its business operation by making Rail Neer more accessible to general public at railway stations and on trains.

Robust operating system and internal controls: IRCTC has a robust operating system and internal controls that has enabled it to deliver quality products and services to its customers across different segments of its operation. Further, it has empanelled professional agencies to conduct customer satisfaction surveys in order to attain better customer satisfaction, and it has taken steps to improve the quality of catering services, include attaining ISO certification. Over the years, it has implemented several well-tested systems and internal controls procedures:

- Customer Satisfaction Survey
- Complaint Monitoring
- 24 hour, 365 day monitoring through control offices
- Comprehensive Selection of Service and Product offerings
- Robust Contract Management
- Ability to provide quality services

Qualified and experienced employees and management team: IRCTC has a diversified Board and senior management team with significant experience. The industry experience of its management team and their ability to deliver consistent sales growth are its significant strengths. It has a qualified and trained employee force to service its customers. As of August 31, 2019, it had 1,384 full time employees across its business verticals including more than 350 graduates from the Institute of hotel managements and Food Craft Institutes with expertise in hospitality industry. The wide range of skill sets of its employees gives it the flexibility to adapt to the needs of its customers and the demands of the various projects/investments that it undertakes. IRCTC is committed to the development of expertise and know-how of employees through regular technical seminars and training workshops organised by IRCTC or reputed institutes. It has also trained 10% of its middle and senior managerial officials in various management institutes MDI, Gurugram, and IIM Rohtak covering various topics e.g. Data analytics, operation and supply chain management, finance and non-finance, developing communication competencies.

Business Strategy:

Diversifying and offering new services to the passengers of Indian Railways and others: IRCTC is one of key strategic partners of Indian Railways in various value chains and strategies. It strives to strengthen and enhance the services provided by Indian Railways, and tap opportunity presented by digital payments in the Indian economy which are growing at significant pace. It transacts payments of more than Rs 360 billion annually through banks and payment aggregators. In order to capitalize on this opportunity both in house and beyond, it has implemented its own payment gateway platform named IRCTC e-Wallet, and are also developing additional payment tools to facilitate easy and efficient payment by its customers

Continue to leverage the Government's policy relating to the business: Since the implementation of Catering Policy 2017, IRCTC has worked as per the mandate given by the Ministry of Railways to address operational, quality and logistics issues in order to improve the catering service offered on trains and in stations, including upgrading of base kitchens. It will continue to capture new opportunities arising from the Catering Policy 2017, such as the providing catering services on trains having pantry car service. In connection with this effort, it plans to strategically withdraw from certain loss making services such as event catering and refocus its corporate resources on its core competence areas. The Government policy to unbundle the production and distribution of catering service provides a good opportunity to further grow its business, with an opportunity to offer more services ourselves or through its licensees. Under the Catering Policy 2017, food preparation will be operated by IRCTC, or alternatively it may tender food preparation separately to caterers that may setup or refurbish base kitchens meeting the conditions and requirements it has established including proper certification and compliance with applicable guidelines and food safety norms. In addition, it is also planning to serve more than 1,500 non-pantry car trains through train side vending (TSV).

IRCTC has been mandated by the Ministry of Railways to redesign its existing pantry cars with a view to equip them with modern appliances and technology for the ease of cooking and maintaining hygienic standards. Accordingly, it is in the process of re-designing pantry cars with modern equipment. It is currently planning to roll out at least ten new pantry cars in Fiscal 2020 once the design is approved by Indian Railways. It will continue to make investments to improve the quality of services by unbundling food preparation and food distribution, and setting up new base kitchens and upgrading the existing ones. Leveraging on Government policy will, allow IRCTC to expand its business operations and improve its financial condition through exploring new opportunities made available by the Government.

Strengthen products and services offering online: IRCTC offers products and services on various online platforms, including www.irctc.co.in. To leverage the significant number of visitors on its website, it intends to continuously develop its online offerings with enhanced product

design capabilities and other value added services in order to offer its customers a personalised experience. In addition, to further expand its customer base, it is in the process of incorporating mobile e-wallets services to its payment options. Lastly, as part of its new product offering and cross-selling effort, IRCTC is offering optional travel insurance for rail passengers. The rise in number of internet users in India and related changes in their shopping habits, and better acceptance of internet as a convenient medium for making purchases, will allow it to leverage its single platform strategy, and, at the same time, capture the needs of customers.

Strengthen operational efficiencies: In order for IRCTC’s management to focus on development and expansion of its core activities, it will continue to outsource non-core activities, such as installing WVMs at railway stations, and unbundling preparation, distribution, cleaning and maintenance in relation to catering services in order to achieve greater control and better efficiency. At present, it has also adopted the following initiatives to improve operational efficiencies:

Attracting and retaining talented employees: Talented employees are essential to IRCTC’s success. It relies on its employees to provide its services, complete various tasks on its projects and deliver quality performance to its customers. With human resource system and process, IRCTC focus on improving health, safety and environment for its employees. It intends to further strengthen its work force through continued on-job skill development and training

Enhancing quality monitoring mechanism: IRCTC maintain a strong system of internal controls in the key functional and operational areas, including various policies and procedures which ensure the orderly and efficient conduct of its business, including adherence to management’s policies, safeguarding of assets, prevention and detection of fraud and error, accuracy and completeness of the accounting records, and the timely preparation of reliable financial information. IRCTC will continue to strengthen the quality control processes for services and products which it offers, including quality tests on water brands which it distributes at stations where Rail Neer is not available, and vigorous hygiene monitoring at base kitchens where foods are processed and packaged.

Exploring new opportunities by leveraging the strengths of existing resources: IRCTC will continue to evaluate new business opportunities that are suitable and strategically compatible with its existing operations so as to achieve higher utilization rates on its existing operational resources. It expects to expand the products and services that it offers to its customers while limiting additional expenses by leveraging and expanding on the existing business platforms. Given the nature of its businesses, it is critical for IRCTC to expand continuously in order to reach the largest number of customers. Its collaboration with the Government of India is the key to future growth of its business.

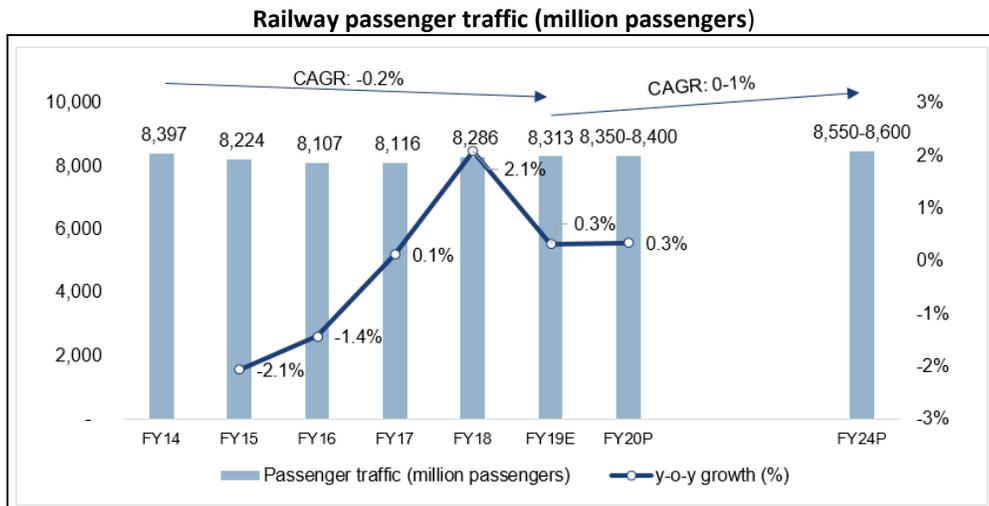
Industry

Overview of Railways Sector in India

Trend in Passenger traffic and Freight traffic for Indian railways during the past 5 years (FY14-FY18)

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.

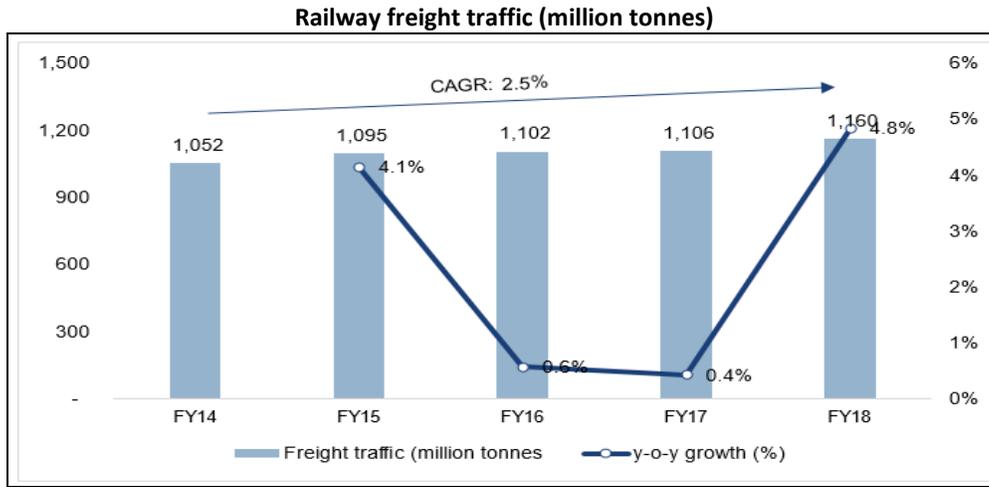


Going forward, the share of suburban passenger traffic in total railway passenger traffic is expected to slightly increase from ~57% in fiscal 2019 to ~58% in fiscal 2024, as passenger traffic on the suburban network is likely to grow at a 0.5-1.5% CAGR during the period, while non-

suburban passenger traffic remain flat. Within non-suburban passenger traffic, share of upper class reserved ticket bookings in total railway passenger traffic is expected to grow slightly from ~2% in fiscal 2019 to ~3% in fiscal 2024, with the segment growing at a 5.5-6.5% CAGR during the period on account of growing preference for convenient travel. The share of second class mail/express ticket bookings (reserved) is expected to inch up from ~17% in fiscal 2019 to ~18% in fiscal 2024, with the segment growing at a 1.5-2.5% CAGR.

Freight traffic growth revives in fiscal 2018 after remaining flat for two years

Total railway freight traffic grew from 1,052 million tonnes in fiscal 2014 to 1,160 million tonnes in fiscal 2018, registered a 2.5% CAGR during the period. Growth in freight traffic was majorly driven by strong freight demand from coal, pig iron and finished steel, iron ore, and container service during the four years. In fiscal 2018, freight traffic rebounded to a 4.8% on-year growth on the back of strong freight demand from coal, cement, container service, and other goods. Government introduced measures to increase freight traffic, with an objective of increasing the share of Indian Railways (IR) in freight transport across India. Government announced the Eastern and Western Dedicated Freight Corridors (DFC), which aims to cut down on the turnaround time between importing and consuming destinations through construction of a railway network specialised for freight traffic.



Investments in Railways sector over the next three years (FY19-FY21)

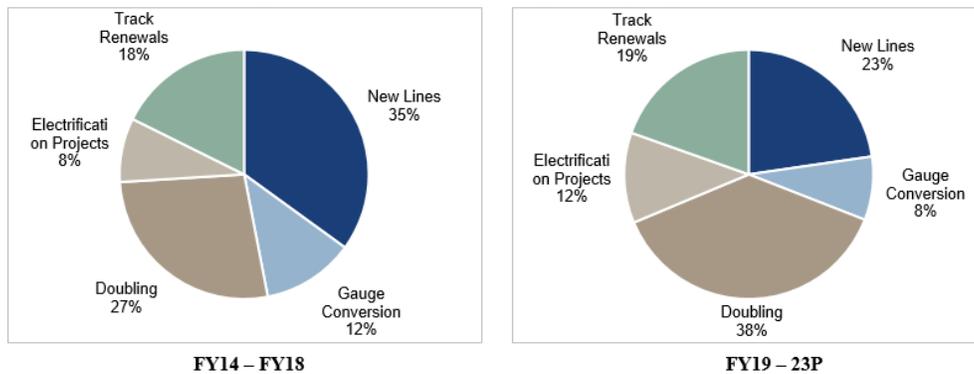
Robust investments over the next three years to be driven by dedicated freight corridors

The government announced a planned outlay of Rs 1.59 trillion for the railways in the Interim Union Budget 2020, 14% higher than the preceding year's revised estimate of Rs 1.39 trillion, thus driving investment in the sector. About 41% of the planned outlay is expected to be financed through budgetary support, and the remaining through internal sources and market borrowings/institutional finance.

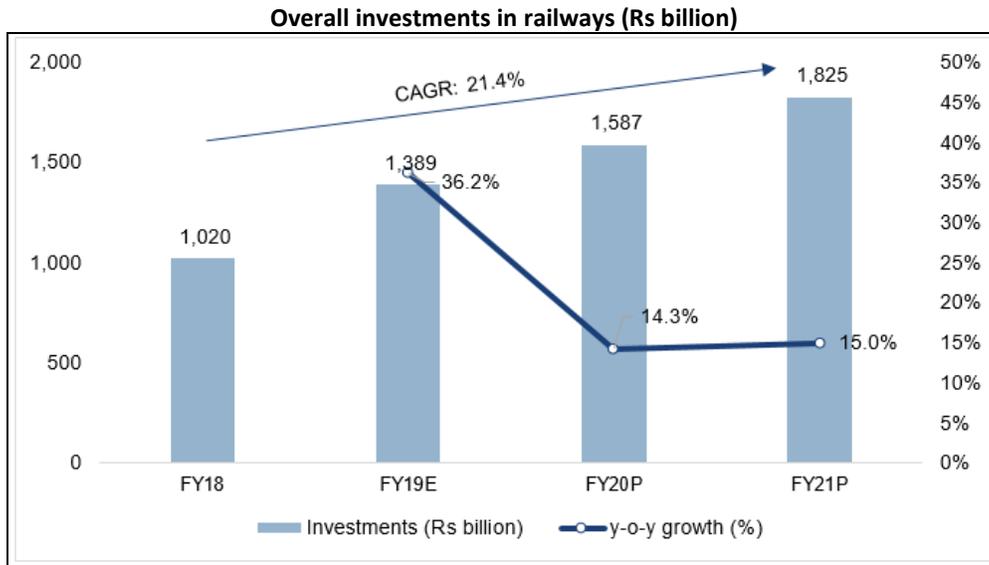
The growth in investments is driven by:

Availability of funding from Life Insurance Corporation (LIC) and Multilateral agencies Improvement in the pace of approvals Provision of additional resources such as Rashtriya Rail Sanraksha Kosh (RRSK) Increase in private sector participation (especially in rolling stock, station redevelopment, connectivity projects, etc.) 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. Allocation to decongestion projects is estimated to be way above that made towards expansion projects, as the former is bankable/amenable to external financing (provide a rate of return greater than 12% based on detailed project reports prepared by the railway zones), cheaper, and likely to be completed and monetised quickly.

Split of investments among railway segments



The four-pronged strategy adopted: 1) plucking the low-hanging fruit by prioritising and commissioning vast backlog of projects, amounting to ~Rs 3.3 trillion for the major heads (excluding annual rolling stock procurement), 2) standardising and expediting project sanctioning to ensure a robust project pipeline and facilitating time-bound execution, 3) transforming the DNA of the institution via greater empowerment and accountability to enhance efficiency, and 4) focusing on bolstering its own finances – will help reinvigorate Indian Railways.



Overview of Food Services/Catering Industry

Overview of overall Food services/Catering Industry

As per the National Restaurant Association of India (NRAI), the food services industry was estimated at Rs 3.09 trillion in fiscal 2016, and has grown at a ~11% CAGR to reach Rs 4.24 trillion in fiscal 2019. The growth was driven by growing young population of India, rising disposable incomes, uptick in discretionary spending on eating out, and growing number of women in working population. Increasing availability of restaurants offering variety of cuisines along with the proliferation of food-ordering platforms has also aided growth of the food services and catering industry.

Structure of Railway catering and e-catering industries

Railway catering refers to the catering services provided to railway travellers aboard trains as well as on stations and other railway establishments operated by Indian Railways. The Indian Railway Catering and Tourism Corporation Ltd. (IRCTC) is primarily responsible for providing catering services to patrons of Indian Railways through onboard catering services and its outlets/stalls operated on stations.

Railway catering can be categorised 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 (onboard cooking facility) 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 fastfood items through self-service counters), and Food Courts (cluster of stalls selling food items such as branded products/eatables).

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 for every order received through the Food on Track platform or a partner aggregator platform.

Key regulations for rail catering

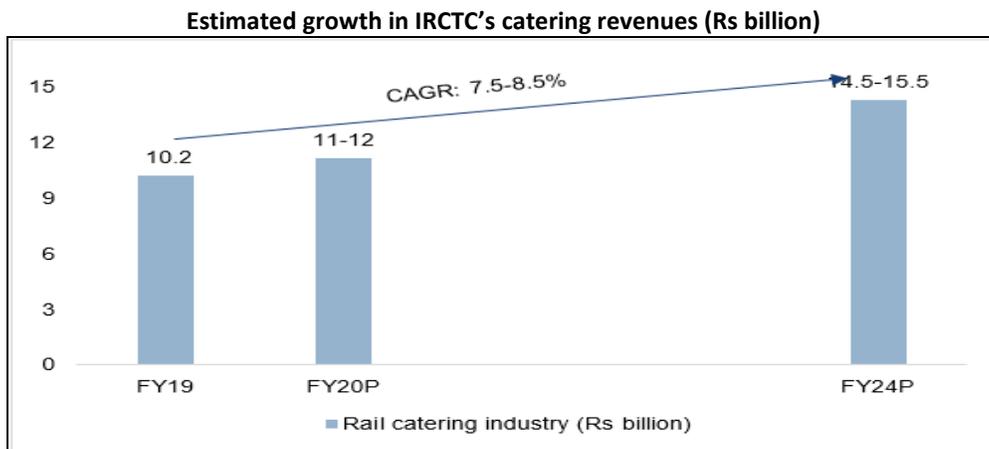
New Catering Policy 2017

As per the catering policy implemented by Ministry of Railways in 2010, mobile catering services including base kitchens were taken away from IRCTC. The policy directed the Railway Board to determine the menu and tariff for the standard meals, breakfast, tea, coffee and catering charges for meals, etc., whereas Zonal Railways would be responsible for fixing the menu and tariff for all other items including a-la-carte items and Jan Ahar outlets. IRCTC was primarily responsible for running of Food Plaza, Food Courts and fast food units under this policy. On 27th February, 2017, the Ministry of Railways notified the New Catering Policy 2017 as per the Rail Budget 2016-17, under which IRCTC was reassigned the responsibility for the entire catering services across Indian Railways. As per the policy, IRCTC was directed to unbundle catering services by creating a distinction primarily between food preparation and food distribution, and add 10 more IRCTC-operated, mechanised, sophisticated base kitchens to ensure fresh and hygienic supply of food on trains.

Review of IRCTC’s catering revenues

IRCTC’s catering revenues to grow at 7.5-8.5% CAGR in the next five years

CRISIL Research has considered IRCTC revenues from catering business as rail catering industry size, since IRCTC is entirely responsible for catering services provided to rail travelers through mobile catering and static catering. IRCTC plans to expand its base kitchen network, with 15-20 greenfield base kitchens to be set up along with conversion of some Jan Ahar outlets on railway stations into base kitchens. IRCTC also plans to add pantry cars to some trains not having pantry cars. Growth in mobile catering services is likely to moderate to 7-8% going forward as revenue is expected to normalize after handover of catering services as per New Catering Policy 2017, supported by rise in rail travelers, increasing spending power of consumers, and improved coverage of catering services due to addition of base kitchens. Initiatives such as providing access to CCTV footage from base kitchens on IRCTC’s website and providing QR codes on food packaging to access food details and base kitchen CCTV footage will help address concerns about quality of food being served. Healthy growth in rail passengers travelling on upper class and second class reserved tickets, who are most likely to avail catering services provided by IRCTC, is likely to aid growth in mobile catering revenues. E-catering services, although still a small part of catering services, are expected to continue strong growth on the back of increasing restaurant listings, ease of on-seat food delivery and growing preference of travelers. Going forward, revenue from static catering services is expected to grow at 13-14% due to moderation in addition of new food plazas/fast food units as coverage on railway stations nears saturation.



Key industry trends

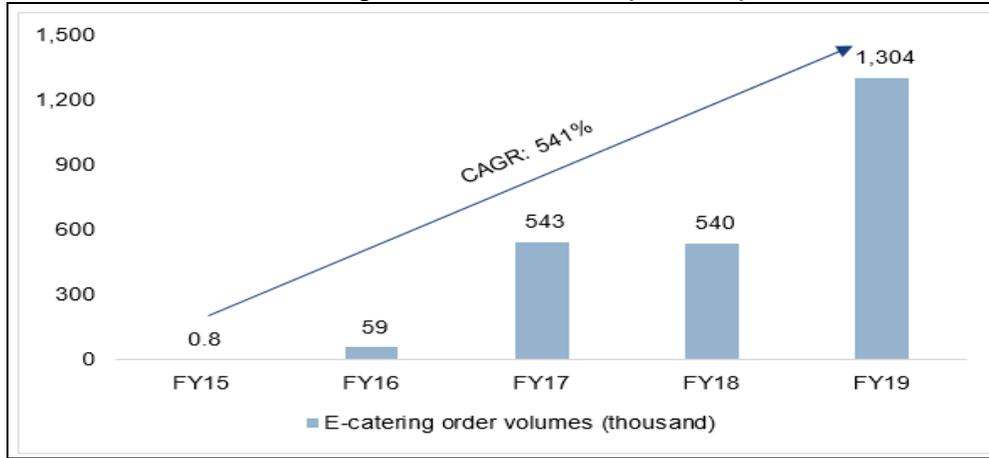
E-catering gaining traction among rail travellers

IRCTC launched station-based e-catering services in September 2014 as a pilot project covering 14 trains, and was expanded to 201 trains as of 31st March 2015. As per the Rail Budget 2016-17, the initiative has been extended to all 409 A and A-1 class stations, as against the 45 stations covered in the pilot phase. E-catering services offered through IRCTC’s e-catering website, the Food on Track app, online platforms of approved aggregator partners, or by calling on 1323. As of July 2019, e-catering services had ~700 partner restaurants listed on its portal.

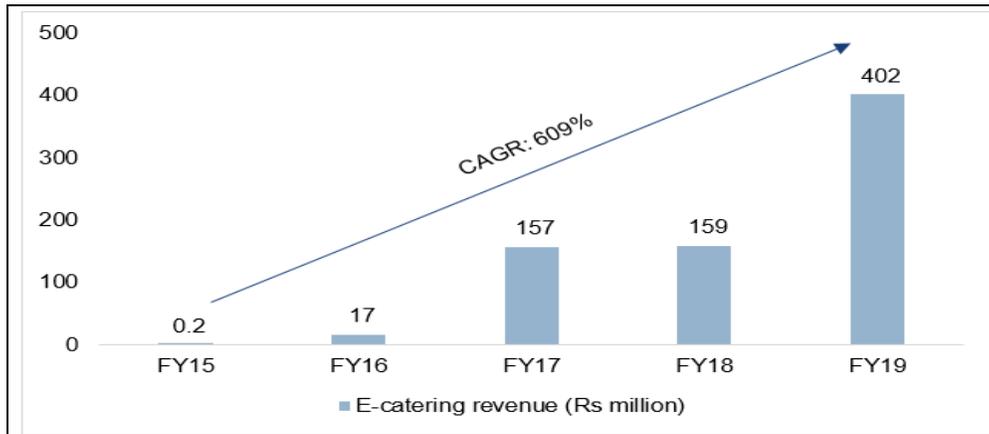
Average meals booked per day was around 1 in October 2014, steadily growing to ~8,500 in July 2018, and further up to 19,847 meals in July 2019. The growth in meal orders has been driven by increasing access to internet-enabled devices, growing online penetration in rail

bookings, and expanding list of popular restaurants and quick service restaurant (QSR) chains on the e-catering platforms. Growing number of young travellers having awareness about food brands has also boosted growth in e-catering orders. The e-catering services initiative has shown strong growth despite logistical issues in timely deliveries at correct seats/berths and inconsistent internet coverage, especially in moving trains.

E-catering services order volume (thousand)



Since its introduction in fiscal 2015, annual order volumes for e-catering services registered a ~541% CAGR to grow from ~800 in fiscal 2015 to ~1.3 million in fiscal 2019. During the period, revenue from e-catering services grew at a ~609% CAGR, reaching Rs ~402 million in fiscal 2019 from Rs ~0.2 million in fiscal 2015. Order volumes and revenue from e-catering services more than doubled in fiscal 2019, due to strong growth in orders from the mobile app along with strong performance of mobile website introduced during the year.



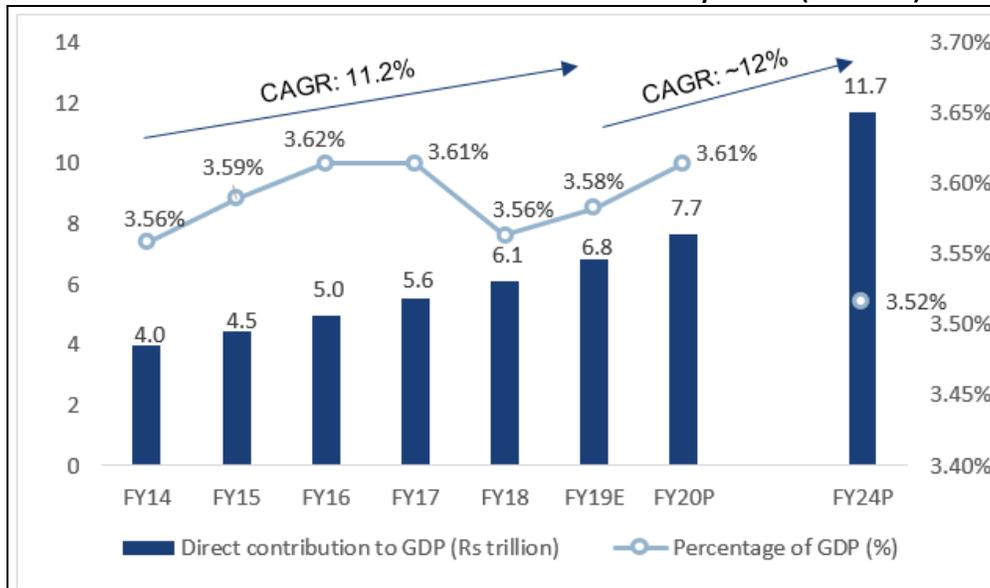
Overview of Travel And Tourism Industry

Trends in global travel and tourism industry

Direct contribution of India’s travel and tourism industry to grow at ~12% CAGR

World Travel and Tourism Council (WTTC) defines direct contribution of travel and tourism industry to the GDP as “GDP generated by industries that deal directly with tourists, including hotels, travel agents, airlines and other passenger transport services, as well as the activities of restaurant and leisure industries that deal directly with tourists. It is equivalent to total internal Travel & Tourism spending within a country less the purchases made by those industries (including imports)”. The direct contribution of India’s travel and tourism industry to GDP grew at a strong 11.2% CAGR between fiscals 2013 and 2018 to reach Rs ~6.8 trillion in fiscal 2018, driven by rising incomes and improved availability and affordability of travel, though the growth moderated in fiscal 2017 due to liquidity crunch caused by demonetisation. Consequently, the direct contribution of India’s travel and tourism industry as a percentage of its GDP fell to 3.58% in fiscal 2019, after rising to 3.62% in fiscal 2016. WTTC expects the direct contribution of India’s travel and tourism industry to GDP to grow by ~12% and reach Rs ~11.7 trillion in fiscal 2024, driven by factors such as improved connectivity and affordability of air and rail travel, government policy initiatives for promoting domestic tourism, growing convenience of online travel bookings, and higher exposure to unexplored domestic and foreign tourist destinations due to social media.

Direct contribution of India's travel and tourism industry to GDP (Rs trillion)

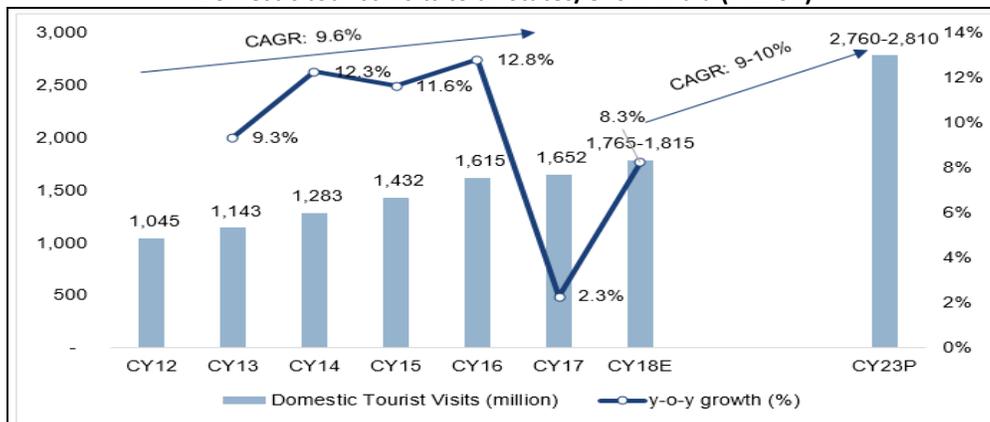


Overview of domestic travellers in India

Growth in domestic travellers to see uptick over next 5 years

Domestic Tourist Visits (DTV) to all States/UTs in India have seen strong growth largely on account of rising disposable incomes, increase in connectivity via air and rail travel, affordability of air travel thanks to low-cost carriers, state-level policy initiatives for tourism and increasing room inventory across budget, mid-segment and premium hotels in the country. Other softer factors like increase in business travel, concept of weekend getaways and shorter stays gaining popularity, ease in bookings due to growing proliferation of online agents and aggregators and rising inclination of young travellers to explore untapped tourist destinations have also played a role in strong growth in DTV's in India. Consequently, CRISIL Research estimates that DTVs grew by 8.0-8.5% to reach 1,765-1,815 million in 2018. Domestic travel in India is primarily done as a leisure activity followed by travelling for visiting friends and relatives, and travelling for religious purposes. In recent years, trends such as eco-tourism and health tourism have also gained ground, while corporate travel too has augmented within the country. Hence, over the medium term, CRISIL Research expects DTVs to grow annually by 9-10% and touch an estimated 2,760-2,810 million by 2023 due to factors such as rising trend of youth population willing to explore more places in the country.

Domestic tourist visits to all states/UTs in India (million)

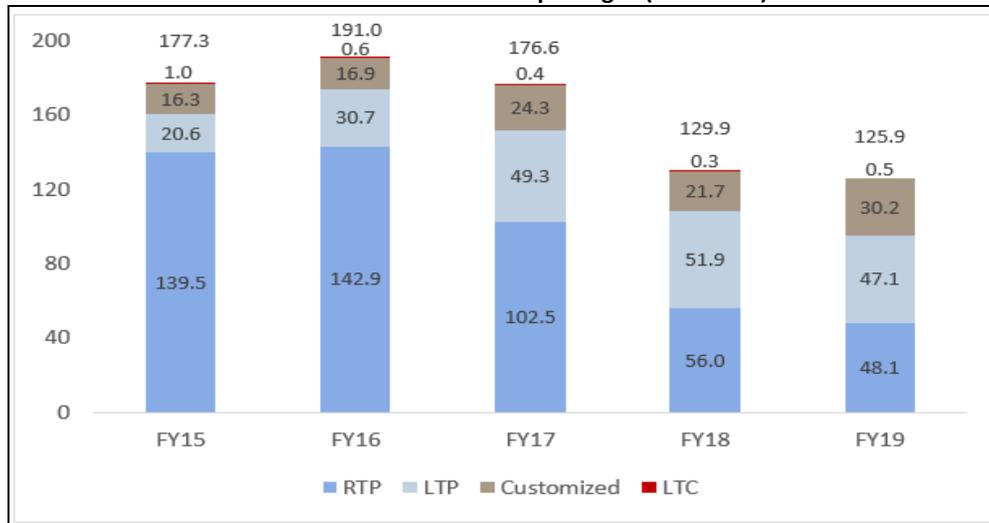


Trend in train tour packages and tourist trains

Land tour packages grew at ~23% CAGR over the last four years

While IRCTC's overall revenue from tour packages declined in the previous 4 years, revenue from land tour packages (LTP) has increased sharply from Rs 20.6 million with 10,376 passengers in fiscal 2015 to Rs 47.1 million with total number of 33,725 passengers in fiscal 2019. The decline in overall train tour packages is attributed to the significant decline in revenues of rail tour packages (RTP) from Rs 139.5 million in fiscal 2015 to Rs 48.1 million in fiscal 2019. While the overall revenues from tour packages have declined at a ~6.5% CAGR in the last four years, the total number of passengers have registered a 2.3% increase indicating lower realisation rates of the overall tour packages for IRCTC.

IRCTC's revenue from tour packages (Rs million)



State Special Trains continues to generate maximum revenue from tourist trains

The total revenue generated by tourist trains grew from Rs 2,013.9 million in fiscal 2015 to Rs 2,994.4 million in fiscal 2019 thus showing a healthy 10.2% CAGR. Bharat Darshan trains have registered the highest growth in revenues at 26% CAGR between fiscals 2015 and 2019 whereas revenues from Maharajas' Express have shown mild uptick in revenue. While the overall revenues declined in fiscal 2018, it has slightly recovered by 1.4% in fiscal 2019.

Overview of foreign travellers in India

Foreign tourist arrivals to exhibit strong growth in next 5 years

Foreign tourist arrivals (FTAs) registered on-year growth of 5% to reach 10.5 million in 2018, with FTAs on e-visa continuing its strong growth at 39% on-year, reaching 2.37 million in 2018 from 1.7 million in 2017. Although on-year growth in FTAs moderated in 2018, it is expected to pick up in subsequent years on account of favourable government policies.

Various luxury trains such as Maharaja Express and Golden Chariot offer an attractive route to explore the country for foreign tourists in India. These trains are aimed to provide tourists with an experience of the culture, heritage and cuisine of India by visiting various destinations in the country. Other than these luxury trains, foreign tourists are also attracted by other tour packages such as Bharat Darshan Tourist Train and Buddhist Circuit Special Train as they cover various destinations within the country at a relatively cheaper price. Buddhist Circuit Special Train focuses on providing comfort level with specific emphasis on the ride quality through customisation as per the needs of the passengers and covers accommodation in luxury hotels at select destinations, meals at fine dining restaurants, transfers and sightseeing in buses, services of multi-lingual tour guide, on-board and off-board meals, monument entry fees and travel insurance.

Trend in Indian Nationals' Departures (INDs) from India

Indian Nationals' Departures (INDs) from India grew annually at 9.4% over the last 10 years: The number of Indian Nationals' Departures (INDs) from India grew from 4.6 million in 2001 to 23.9 million in 2017, registering an annual growth rate of 10.9% during that period. INDs are expected to grow at a moderate pace of ~5.5% in 2019, on account of a high base in 2018. Going forward, INDs are expected to sustain their strong growth at a 9-10% CAGR between 2018 and 2023, driven by rising disposable incomes, higher number of millennial travellers opting for foreign trips, and increasing awareness about plethora of foreign tourist destinations through growing usage of social media.

Overview of Packaged Drinking Water Industry

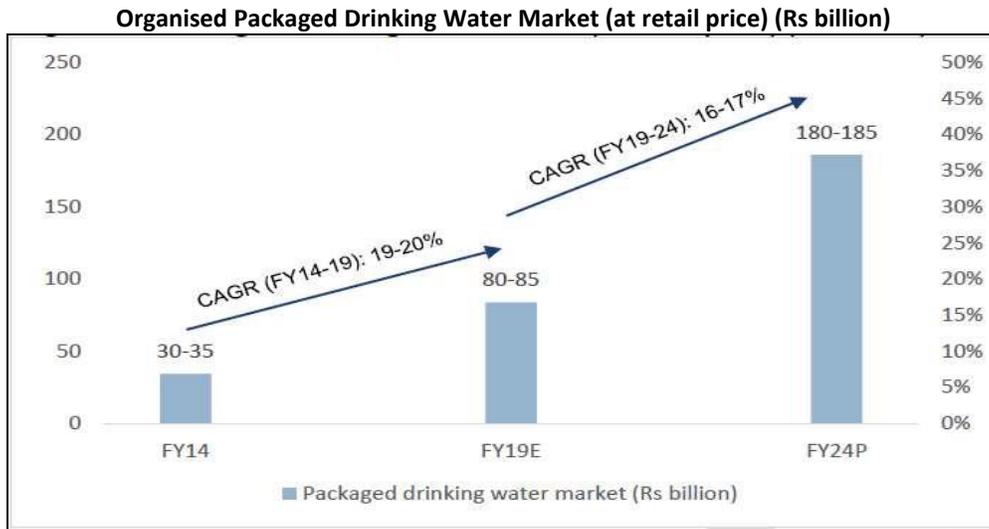
Industry overview

Packaged Drinking Water (PDW), also called bottled water, is defined as water treated and disinfected through several processes to make it fit for human consumption. Packaged drinking water is derived from varied sources including surface, ground or sea and subjected to treatment like decantation, filtration (including aeration filtration with membrane filter, cartridge filter, and activated carbon filtration), demineralisation, mineralisation and reverse osmosis. The packaged water is also disinfected before being packed so that it does not get contaminated until consumed within a specific time. The drinking water is filled in sealed containers of various compositions, forms and capacities that are suitable for direct consumption without further treatment. In case demineralization is a part of the treatment process, the ingredients used in the process should be of food-grade quality and conform to the requirements set by Food Safety and Standards Authority of India and rules framed thereunder. Under the packaged drinking water industry, mineral water and purified water are most popular in India. The segment also encompasses other types of bottled water such as sparkling bottled water, premium natural mineral

water and spring water. The industry has a seasonal demand to a certain extent with peak demand occurring during summer, especially in the months from March to June, and lower demand in winter.

Review of organised packaged drinking water market

Strong growth in past five years due to growing health awareness and improved availability of packaged drinking water Growth in the organised packaged drinking water market has been driven by rising health consciousness of people due to concerns over the quality of tap water supply and the possible incidence of water-borne diseases due to consumption of contaminated water, resulting in opting for packaged drinking water as it proves as a safer alternative. Advertising campaigns by major players in the industry has also contributed to growing awareness about packaged drinking water and its benefits. Focus of large players on widening distribution network as well as retail network has increased availability of bottled water, thereby aiding its growth. Domestic tourism (Indians travelling to destinations within India) and inbound tourism (foreign nationals travelling to destinations in India) has seen a strong growth between 2013 and 2018, as indicated by the estimated growth of domestic tourist visits (DTVs) and foreign tourist arrivals (FTAs) at 9-10% CAGR and 8- 9% CAGR respectively. Foreign tourists in India, especially from developed countries such as US and European nations, have preferred packaged drinking water from globally recognised brands due to concerns about quality of drinking water available while travelling in India. On the other hand, domestic tourists are also increasingly preferring packaged drinking water due to quality concerns about drinking water, convenience of disposal of water bottles, and improved availability of packaged drinking water. As a result, the organised packaged drinking water market has been estimated to have grown from Rs 30-35 billion (at retail price) in fiscal 2014 to Rs 80-85 billion in fiscal 2019 at a strong 19.5% CAGR.



Increasing spending by health conscious consumers likely to sustain high growth

Going forward, growth in Packaged Drinking Water industry will be driven by increasing awareness and desire to consume clean drinking water as well as the rise in ability and willingness to pay for it. Demand will be driven by higher demand from both the urban and rural areas. Water demand in urban areas is rising due to growing health consciousness, as well as growing demand for premium products such as spring and sparkling water. Rising rural incomes, improving availability, and increased threat of water borne diseases due to shortage of safe drinking water is likely to support the demand for packaged drinking water in rural areas. Higher mobility among young population due to growing opportunities in new education and industrial hubs is resulting in migration, with a large share of this population opting for rented accommodation. Such residents tend to opt for large SKUs of packaged drinking water over upfront investment and regular maintenance cost associated with a water purifier due to the possibility of moving to a new city in a short period. Changing lifestyles of people is likely to increase the demand for the larger SKUs. As the more mobile and younger generation is opting to rent houses over purchasing a property over factors such as frequent changes in job and moving to different locations to attain education, people prefer purchasing the 20 litre SKU over installing water purifiers thus avoiding the upfront investment and regular maintenance cost of the purifier.

Sustained growth in domestic and inbound tourism coupled with preference for packaged drinking water over tap water is expected to be a major driver for bottled water demand in India. While the WTC expects the direct contribution of India’s travel and tourism industry to GDP to grow by ~12% and reach Rs ~11.7 trillion in fiscal 2024, both the FTAs and DTVs are expected to rise by another 9-10% till fiscal 2024. Rise in tourism is likely to drive demand for the packaged water industry due to unavailability of potable water during the travel period. The health conscious tourists also have a preference for the packaged water over the less reliable tap water in the public places and stations.

Share of railway establishments in packaged water industry

With IRCTC (Rail Neer) being provided a monopoly to market bottled water at all Railway establishments, it has been fast expanding its presence across Pan-India to supply at all Railway stations. Currently, Rail Neer distributes water to only a few Railway establishments in India due to constraints in capacity. Going forward, with a significant step up in investments across the country in Drinking Water facilities through PPP model and Semi-PPP model, Rail Neer is expected to increase coverage to majority of Railway establishments in the country. This could result in organised players eventually gaining more market in the non-railway market as they move out of railways boosting the overall organised market share further. The upper class reserved ticket bookings under the non-suburban traffic has been growing at 5.5-5.6% CAGR between the fiscals 2014 and 2019 which accounts for ~2% of the overall railway passenger traffic. This segment represents the population segment which is likely to purchase packaged drinking water during their rail travel and a healthy growth in the segment is likely to be a growth driver for the packaged water industry in railway establishments.

Indian Railways has made the distribution of Rail Neer in railway stations a mandatory depending on their distribution capacity and their ability to supply to these railway establishments. However, in the places where the Indian Railways is not able to distribute Rail Neer due to logistical and capacity constraints, they approve certain companies to provide packaged drinking water in these establishments and give the contract through tender bidding. These bidders have to be evaluated on the basis of the water quality they provide through rigorous quality control methods. Another requirement for these bidders who wish to sell packaged water in Railway establishments is that they cannot sell their product over the maximum retail price of Rail Neer. While the overall Packaged Drinking Water industry has been estimated to grow at 20-21% between fiscals 2014 to 2019, the market size of railway establishment for the packaged water is estimated to grow at 2.1%-2.2% during the same period. Hence the share of railway establishments for packaged drinking water in the overall market is estimated to decline from 20-22% in fiscal 2014 to 9-10% in fiscal 2019. It is estimated this trend to continue through fiscal 2024 and hence the share of railway establishments for packaged water is expected to further decline to 4-5% by fiscal 2024.

Overview of E-Booking Industry

E-booking refers to online bookings, which are typically done over the internet by using laptops, desktops, tablets and mobiles. Offline bookings include bookings made through phone calls, and walk-ins. E-booking includes bookings done using:

Estimated current market size for booking industry (including traditional and online)

Indian booking industry currently estimated at Rs 2,335-2,355 bn CRISIL Research has considered airline booking (domestic and international), hotels (room revenues across premium, mid-market and budget accommodations) and railway booking (long distance train booking) segments for mapping the travel industry in India. The market sizing includes tickets booked via offline and online modes and is estimated at the gross bookings level (defined as the total amount paid by customers for travel services and products booked through the company and/or agency, including taxes, fees and other charges, and these are net of cancellations, discounts and/or refunds). In the last few years, the Indian booking industry has grown strongly on the back of healthy growth in domestic tourism and inbound tourism in India. Growth in domestic tourism has been aided by rising disposable incomes, widening reach of air and rail travel, and state-level policy initiatives for promoting tourism. Increase in business travel, evolving traveller towards new experiences and unexplored tourist destinations, and growing online bookings due to rise of online agents and aggregators have further boosted domestic tourism. Inbound tourism is majorly driven by leisure travel on account of India's rich cultural heritage and geographical diversity, with government initiatives for promoting tourism through simplification of visa process and tourism events such as Rann Utsav in Kutch and Kumbh Mela in Prayagraj (erstwhile Allahabad) also aiding leisure inbound tourism. Medical tourism is a key factor attracting foreign tourists from developing nations, with South Asian nations accounting for more than half of medical tourists coming to India, due to availability of advanced medical facilities and specialised doctors at affordable costs.

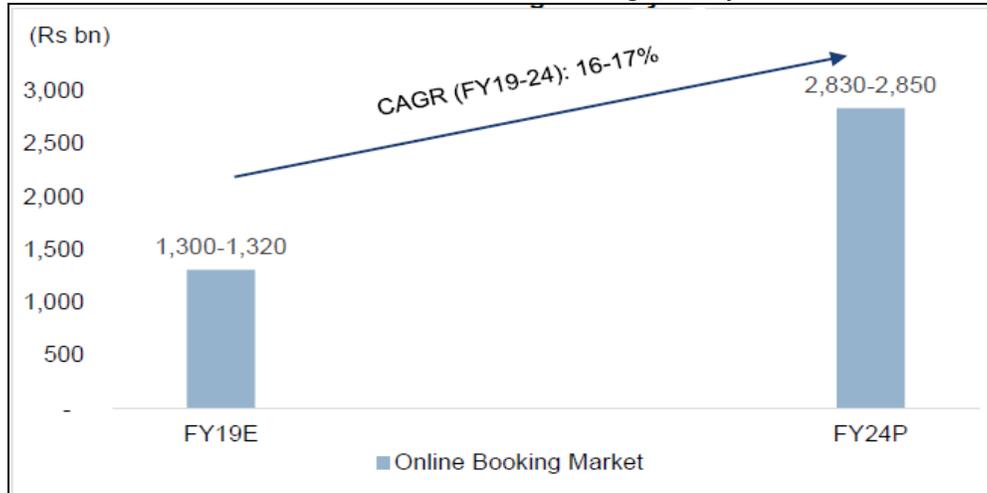
The Indian booking industry was estimated at Rs 1,370-1,390 billion in fiscal 2014. On account of strong growth in domestic tourism and inbound tourism, the Indian booking industry grew at a CAGR of 11-12% to reach Rs 2,335-2,355 in fiscal 2019.

Outlook of the Indian E-booking industry over the next five years

Indian e-booking industry to grow at 16-18% CAGR from fiscals 2019 to 2024

In fiscal 2019, the Indian online booking market was estimated to be worth Rs 1,300-1,320 billion, registering 20- 21% CAGR from Rs 505-525 billion in fiscal 2014. The growth can be attributed largely to the increasing penetration of internet and smart phones. Other enabling factors include growing share of low-cost airlines, increasing popularity of online railway ticket booking system and convenience that online bookings offer. With increasing popularity of online bookings due to the convenience, the market is expected to clock 16-17% CAGR to reach Rs 2,830-2,850 billion by fiscal 2024. While increasing penetration of internet and smart phones will continue to aid growth in the medium to long term, other factors such as increasing usage of credit/debit cards as payment mechanisms, proliferation of channels like OTAs will also play a key role in the medium to long term. However, the online booking industry is not without its share of challenges. Travellers' concern about security of their personal information and online financial frauds are the key challenges that require to be addressed effectively in order to ensure seamless transition from offline to online channels.

Trend and outlook for the online booking industry in India



Review of penetration of E-booking in Railway bookings

E-booking penetration in railway bookings estimated at 70% in fiscal 2019

Indian Railway Catering and Tourism Corporation (IRCTC) launched its rail e-booking services in 2002, which helped the rail booking segment gain significant ground in e-booking penetration. IRCTC is the only entity authorised to provide rail e-booking facility, with other OTAs routing their rail e-booking transactions through IRCTC's booking engine. As of fiscal 2014, ~158 million rail tickets (for non-suburban rail i.e. long distance trains) were booked online through IRCTC platforms, including its desktop website as well as mobile website and application, resulting in ~51% e-booking penetration out of total railway tickets booked during the year. The growth in number of online rail bookings slightly slowed down between fiscals 2014 and 2017 due to moderation in online bookings as well as levying of service charge of Rs 20 per ticket and Rs 40 per ticket for Non- AC and AC classes respectively. This was in line with slowing growth in rail bookings on account of a shift towards air travel due to improving connectivity between major cities and rising share of low-cost carriers offering affordable airfares. As a result, online rail bookings reached ~209 million in fiscal 2017, even as e-booking penetration improved to 62%. Ministry of Railways announced the withdrawal of service charge levied on tickets with effect from 23 November, 2016, thus providing a boost to rail e-booking. Consequently, online rail bookings jumped to ~247 million in fiscal 2018, with e-booking penetration rising up to ~66% for the year. Between fiscals 2014 and 2019, online rail bookings have registered a ~12.5% CAGR to reach ~284 million, with e-booking penetration rising to 68-70% in fiscal 2019.

Key Concerns:

Business and revenues are substantially dependent on Indian Railways: IRCTC's business and revenues are substantially dependent on the policies of the Ministry of Railways and operations of Indian Railways. As a CPSE wholly owned by the Government of India and under the administrative control of the Ministry of Railways, its scope of services, and the fees it charges, are primarily determined by the Ministry of Railways. At certain times in the past, the Government has made certain decisions that has adversely impacted its results of operations. Any withdrawal or adverse changes in Government policies may lead to adverse impact on its on-going business and could, materially and adversely affect the financial condition, capital expenditure, revenues, development and its business operation.

Sole provider of online railway ticketing, catering services, and packaged drinking water for trains and stations: Under the Catering Policy 2017, IRCTC benefit from a monopoly position in many of the services it provides to its customers. In particular, it is the exclusive provider of online railway ticketing, catering services and packaged drinking water for trains and stations. As a result, it does not face some of the pressures experienced by businesses that operates in more openly competitive industries. This allows IRCTC to make certain operating and strategic decisions without focusing on the impacts of those decisions vis a vis other competitors. If the Ministry of Railways were to permit more competition in mobile or static catering, packaged drinking water or another area in which it currently has a monopoly position, it could have a significant impact on the way it operates its business, and adversely impact its results of operations and profitability.

Business can be negatively affected if it is unable to maintain quality standards: IRCTC provide food catering services to the passengers of Indian Railways on trains and at the stations. Any adverse claims, media speculation or other public statements relating to its food and service quality could materially and adversely affect its reputation and its corporate image, or otherwise affect the ability to conduct its business in the ordinary course. It could also adversely impact the ability to obtain and renew operational licenses and regulatory approvals and establish and maintain its relationships with guests and suppliers, and to expand IRCTC's business. The success of its catering business

depends significantly on the quality of its food and services which are impacted by its ability to maintain cleanliness and hygiene at all locations where it serves food and provide catering services, including to people who ordered remotely on e-catering website. Any failure on its part to meet quality requirements of regulators or expectations of consumers could adversely affect the business, results of operations and financial condition. IRCTC's operations are dependent on adequate and timely deliveries of quality ingredients, including fresh produce. In addition, the food supply industry in India is largely fragmented and unorganised and it depends on a number of local suppliers for its ingredients that participate in its limited tender process from time to time. Any change in operation or business of its local suppliers may affect the quality of ingredients received by it and negatively impact its business.

Rely on information technology to operate internet ticketing and tourism business: IRCTC depends on the use of information technology and systems for the services that it provides and also for payments, refunds, customer relationship management, communications and administration. As its operations grow both in size and in scope, it must continuously improve and upgrade its systems and infrastructure to offer its customers enhanced services, features and functionality, while maintaining the reliability and integrity of its systems and infrastructure in a cost-effective manner. IRCTC's future success also depends on its ability to upgrade its services and infrastructure ahead of rapidly evolving consumer demands. It may not be able to use new technologies effectively, or it may fail to adapt its websites, transaction processing systems and network infrastructure to consumer requirements or emerging industry standards. If it faces material delays in introducing new or enhanced solutions, its customers may stop using its services in favor of those of its competitors in business sectors where IRCTC is not the only entity authorised by the Government to provide services. Any of these events could have a material adverse effect on its operations.

Exposed to risks associated with online security, security of its customers' personal information and credit card fraud: IRCTC receive and maintain certain personal information about its customers who book online tickets and services through its various websites. Secured transactions over the internet are essential to its business operation. Security breaches, whether instigated internally or externally on its system or other internet-based systems could materially and adversely harm the business. Customers have the option to pay for services and tickets online via its web portal, and it rely on encryption and authentication technology to ensure secure transmission of personal data, including credit card numbers, over the internet. While IRCTC utilize various computer systems, including its point of sale systems which are customised web-based systems, persons having the requisite technology or knowhow may break into the security system containing customer information transmitted in connection with its debit/credit card sales. In addition, it incurs substantial expense associated with its effort to prevent potential security breaches and relevant consequences, and these costs may increase in future periods. Even with proper security measures in place, there can be no guarantee that its security measures can prevent all security intrusions and it may be unsuccessful in or incur additional costs by implementing its remediation plan to address potential exposures.

Rely on awareness of brand to build customer base and grow revenues: IRCTC's brand name "IRCTC" is crucial to its ability to grow its revenues and customer base. However, consumer acceptance of its products may be influenced by or subject to a variety of reasons. Health awareness campaigns against products it offers in favor of foods that are perceived to be healthier may affect consumer perception of its products and impact the value of its brand. Perceptions may also be driven by activist campaigns against the fast food restaurant industry or industry in which it, its suppliers, licensees or other partners operate. If IRCTC is unsuccessful in addressing negative consumer perceptions, its brand image may suffer. There is no assurance that it will be able to successfully maintain or enhance consumer awareness of its brand. Even if it is able to continue its branding efforts, such efforts may not be cost effective. If IRCTC is unable to maintain or enhance consumer awareness of its brand and in turn generate demand for its products and services in different sectors which it operates, it could negatively affect its competitiveness or adversely affect the business, financial condition and results of operations.

Operate in highly competitive business sectors in the Indian market: IRCTC travel and tourism business segment is highly competitive in India. Factors affecting its competitiveness in this segment include, among other things, price, availability and breadth of choice of different services and products, brand recognition, customer service, ease of use, accessibility and reliability. Some of its competitors has significantly greater financial, marketing, personnel and other resources than it and better brand recognition in the Indian market. As such, from time to time it may be required to reduce prices to effectively compete and to maintain its market share. Further, some of its current suppliers, such as airlines and hotel chains, may decide to promote their own distribution channels and decrease association with travel platforms like IRCTC. If its access to its suppliers is restricted or if it is unable to compete effectively with its competitors, its business may be materially and adversely affected. IRCTC's catering and packaged drinking water services face competition from unorganised traditional food and beverage vendors primarily comprising eateries, hawkers and street stalls, which may be able to offer food and beverages at cheaper prices as compared to it. The willingness of Indian consumers to patronize such unorganised traditional food and beverage vendors could have an adverse impact on its business, results of operations, financial condition and prospects

Rely on telecommunications and information technology systems, networks and infrastructure to operate business: IRCTC rely significantly on computer systems to facilitate and process transactions. To process and handle the large volume inflow on a daily basis, a new data center was set up by CRIS. However, it may still experience system interruptions from time to time that prevent some or all of

these systems from operating at full capacity, thus preventing it from efficiently and effectively fulfilling bookings or providing services to its customers. As such, its business operations, the quality of its services and ability to attract and retain customers depend on the efficient and uninterrupted operation, reliability, speed and availability of such systems, networks and infrastructure, both internal and external. Any interruptions, outages or delays in IRCTC systems, or deterioration in performance, could impair its ability to process transactions and decrease the quality of its services to its customers and resulting in dissatisfaction among its customer base. If IRCTC was to experience frequent or persistent system failures, its reputation and brand image could be harmed.

If IRCTC is not successful in managing growth, its profitability may decrease and result in adverse impact on the business, results of operations and financial condition: IRCTC anticipate rapid growth in its revenues in certain of its business segments in future periods, particular in its online railway ticketing segment as a result of the reinstatement of the services charges for tickets purchased online from its website www.irctc.co.in. Its future growth may place significant demand on its management and operation and will require it to continuously evolve and to improve its financial, operational and other internal controls within the Company. In line with its business strategy, IRCTC intends to continue leveraging on government policy, strengthening products and service offerings and implementing initiatives to improve operational efficiencies. If it is not successful in managing its growth, its business may be disrupted and revenue margin may be reduced, which in turn may impact its business, prospect, financial condition and results of operations. Further, it cannot be assured that its investment will be profitable, as policy change from the Government of India may restrict its ability to recoup its investment. Failure to effectively manage its expansion may lead to increased costs and reduced profitability and may adversely affect the current business and growth prospect.

IRCTC may be unable to implement the directives under the Catering Policy 2017 in a timely manner or at all, which in turn may subject it to penalties and may in turn adversely impact profitability, results of operations and goodwill: The Catering Policy 2017 has been formulated with a view to provide quality food to passengers of Indian Railways and to modify the management of catering services in trains and at stations to implement social objectives of the Government of India, including encouraging fair competition in allotment of catering units over stations. A total of 159 observations made by commercial inspectors during 2013 through 2016 are relating to issues of hygiene, tariff, cooking and kitchen and quantity of food production and service in Indian Railway. While IRCTC has been charged with the mandate to unbundle catering services by creating a distinction between food preparation and food distribution, the timelines for certain matters under the Catering Policy 2017 are not clearly defined and are currently under discussions. Any failure on part of the Company to adhere to the mandate of the Catering Policy 2017 may result in imposition of penalties by the Government or the Indian Railways, including for delays in setting up of base kitchens and failure by third party contractors to maintain food quality. IRCTC may be required to invest significant amounts of capital to modernize, upgrade or refurbish existing kitchens which are transferred to it as part of the Catering Policy 2017. Capital for such investments may not be available on commercially acceptable terms or at all. Further, as part of the Catering Policy 2017, it would be required to create base kitchens at multiple locations (including for Category A and A1 stations). As many as 115 base kitchens are located outside railway premises which are not in accordance with the erstwhile Catering Policy, which in turn would require IRCTC to invest capital to ensure relocation within railway premises.

Performance of licensees may impact results of operations and brand image: From time to time, IRCTC enters into contracts for various services to be performed by third party service providers in business segments which it operates. When it tender contracts to third party, payments may depend on the performance of that third party supplier or service provider. Issues on the part of a principal licensee or sub-licensee could result in delayed or reduced payments to it. Further, when it calls for tender from the interested parties, it may be liable to the passengers due to failure on the part of the person to whom it licensed to maintain the required performance standards, For instance, under Catering Policy 2017, while it is able to tender licenses for certain provisional catering services to private licensees, it will continue to be fully accountable to Indian Railways for all issues pertaining to setting up and operation of the base kitchens as well as the quality of food. Licensees' failure to perform all services in accordance with the work scope, or its inability to contract with qualified service provider and supplier may materially and adversely impact the results of operations and brand image.

Changes in consumer tastes and purchasing habits could negatively impact the business, prospect and results of operations: A significant portion of IRCTC's revenue derived from the sale of food that is characterised as North Indian, Punjabi, or South Indian. If consumer preferences for these types of food change, such change could have a material adverse effect on its results of operations. Its success depends on its ability to anticipate and respond to changing consumer preferences, tastes and dining and purchasing habits, as well as other factors affecting the restaurant industry in general, including new market entrants and demographic changes. IRCTC find it necessary to make changes to its menu items in order to respond to changes in consumer tastes or dining patterns, and it may lose guests who do not prefer the new menu items. If IRCTC fails to develop and successfully introduce new menu offerings that appeal to changing consumer preferences, or if it fails to capitalize on market demand in a timely fashion, its results of operations could suffer. Any significant event that adversely affects consumption of its products, such as cost of raw material, changing tastes or health concerns, could also negatively impact the business, prospect, financial condition.

IRCTC has no ability to pass on any increase in raw ingredient costs due to price regulation by Indian Railways; it does not hedge its risk against market fluctuations in commodities market: Changes in cost or availability of certain food products could affect IRCTC's ability to offer a broad menu and maintain competitive prices and materially and adversely affect its profitability. The type, variety, quality and cost of produce, poultry, cheese and other commodities can also subject to change due to factors beyond its control, including weather, government regulation, availability and seasonality of raw materials, each of which may affect its raw material costs or cause a disruption in its supply. Water is a limited resource in India, facing significant challenges from over-exploitation, increasing demand, pollution and poor management. Further, water supply can also be significantly influenced by changing environmental conditions which lead to drying water resources and receding ground water levels. Water scarcity and deterioration in the quality of available water sources in India, specifically, within its supply chain, even if temporary, may result in increased production costs or capacity constraints, which could adversely affect the ability to produce, sell and distribute its products and increase the costs. IRCTC's raw material distributors or suppliers may also be affected by higher costs to produce and transport commodities used in its catering business, including higher minimum wage and benefit costs and other expenses that they pass through to their customers, which could result in higher costs for goods and services supplied to it. Although it utilizes purchasing contracts to lock in prices for a material portion of the food commodities used in its catering services, some of the commodities used in its operations cannot be guaranteed for a period longer than one month. Additionally, it has seen decline in quality of ingredient supplied by its suppliers when commodity price hikes. It does not use financial instruments to hedge its risk against market fluctuations in the price of commodities at this time. It may not be able to anticipate and react to changing raw material costs through its procurement process and menu price adjustments, and failure to address these variables could negatively impact the business and results of operations.

IRCTC use PET bottles and other plastic items for its packaged drinking water, which is subject to various regulatory requirements and increasing public scrutiny: The principal packaging materials used by IRCTC for packaged drinking water include preforms for PET bottles, shrinkwrap films, plastic closures and labels. Environmentalists have long discouraged the use of plastic products as plastic is not biodegradable and is considered environmentally unfriendly. Moreover, governmental bodies have introduced policies to discourage the use of plastic products. For instance, (i) several cities in the United States has banned or limited the use of plastic straws in restaurants or prohibits stores from handing out plastic shopping bags for free; (ii) the European Union is pushing for many single-use plastic products, including straws, to be barred by 2030; (iii) the PRC government had published a notice to limit the production and usage of plastic shopping bags; and (iv) certain world's famous consumer brands has agreed to reduce their use of plastic packaging. In India, Indian Railways has been instructed to take steps to minimise generation of plastic waste and ensure its environmentally friendly disposal. The Ministry of Railways, Government of India vide its letter dated August 19, 2019 has directed IRCTC to implement return of plastic drinking water bottles as part of an effort to increase responsibility on the part of companies that produce such bottles. Also, Maharashtra Pollution Control Board directed its West Zone to create a separate fund for discharging its liability by crediting an amount of 15 paise per bottle introduced or sold by it directly or through its distributor/wholesalers/retailers or partners. In the event of an inability on its part to implement abovementioned directives may materially and adversely affect its Rail Neer business and impact its results of operations. In addition, in case stricter environmental protection policies are enacted or market trends emerge to phase out the use of plastics, particularly in relation to plastic bottles, its business and financial performances could be adversely affected.

If IRCTC is unable to maintain existing, and establish new arrangements with its travel suppliers, its business may be adversely affected: IRCTC's business is dependent on its ability to maintain relationships and arrangements with existing suppliers, such as Indian Railways, cruise agents which supply cruise packages, and the airlines which supply air tickets to it directly. A substantial portion of its revenue is derived from fees and commissions negotiated with travel suppliers for bookings made through its websites or via its other distribution channels. Adverse changes in existing arrangements, including an inability by any travel supplier to fulfill their obligation to it in a timely manner, increasing industry consolidation or its inability to enter into new arrangements with these parties on favorable terms or at all, could reduce the amount, quality, pricing and breadth of the travel services and products that it is able to offer, which could adversely affect its business and results of operations.

Travel and tourism and packaged water segments experience seasonal fluctuations due to periodic local and national elections, weather changes as well as holidays: IRCTC operates in business sectors that are susceptible to seasonal changes resulting from holidays, weather changes and special events, particularly in the travel and tourism and internet ticketing sectors. It tends to experience higher revenue from its ticket sales when there are state and central government elections where it is authorised to cater for the election special trains and when it collaborates with various state governments in offering state special trains to local residents. In its packaged water segment, demand increases significantly during summer as temperatures rise. As a result, some or most of the financial data comparison on a quarterly basis may be inaccurate and less reflective of its actual business operations due to the occurrence of these special events in some, but not all of the financial periods.

IRCTC is dependent on a number of key managerial personnel and other senior management: IRCTC's performance depends largely on the efforts and abilities of its key managerial personnel and other senior management, including its present officers. The input and experience of

its key managerial personnel and other senior management are invaluable for the development of its business and the operations and the strategic directions taken by it. It cannot be assured that it will be able to retain these key managerial personnel and other senior management or find adequate replacements in timely manner, or at all, should they chose to discontinue their employment with it. In addition, it cannot be assured that its relations with its employees shall remain cordial at all times and that employees will not undertake or participate in strikes, work stoppages or other industrial actions in the future. Any labor disruptions may affect its operations, thereby adversely affecting its business, financial condition and results of operations.

If IRCTC fail to obtain, renew or maintain statutory and regulatory permits and approvals in a timely manner or at all, it may be unable to fully or partially operate its businesses and its results of operations may be adversely affected: IRCTC is required to obtain and maintain certain licenses, approvals, permits and registrations in order to undertake its business activities. Its failure to comply with the terms and conditions to which such licenses, approvals, permits or registrations are subject, or to renew, obtain or maintain the required licenses, approvals, permits or registrations, may result in an interruption of its operations and has a material adverse effect on its business, financial condition and results of operations.

IRCTC will continue to be controlled by the GoI following this Offer: After the completion of the Offer, the GoI will hold majority of the paid-up Equity Share capital of IRCTC. Consequently, the GoI acting through the Ministry of Railways will continue to control it and will have the power to elect and remove the Directors and therefore determine the outcome of most proposals for corporate action requiring approval of the Board or the shareholders, including with respect to the payment of dividends, preparation of budgets, capital expenditure, and transactions with other public sector companies. It will continue to be a public sector undertaking under the Companies Act, and the GoI may issue directives with respect to the conduct of its business or its affairs or change in control or impose other restrictions in terms of its Articles of Association

Business and activities is regulated by the Competition Act; any adverse application or interpretation of the Competition Act could in turn adversely affect the business: The Competition Act was enacted for the purpose of preventing practices that have or are likely to have an adverse effect on competition in India and has mandated the Competition Commission of India ("CCI") to supervise such practices. Under the Competition Act, any arrangement, understanding or action, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition is void and attracts substantial penalties. Further, any agreement among competitors which, directly or indirectly, involves determination of purchase or sale prices, limits or controls production, or shares the market by way of geographical area or number of subscribers in the relevant market is presumed to have an appreciable adverse effect in the relevant market in India and shall be void. If IRCTC is affected, directly or indirectly, by the application or interpretation of any provision of the Competition Act, or any enforcement proceedings initiated by the CCI, or any adverse publicity that may be generated due to scrutiny or prosecution by the CCI or if any prohibition or substantial penalties are levied under the Competition Act, it would adversely affect the business, financial condition, results of operations and prospect.

Fluctuation in the exchange rate between the Indian Rupee and foreign currencies may have an adverse effect on the value of the Equity Shares, independent of its operating results. On listing, IRCTC Equity Shares will be quoted in Indian Rupees on the Stock Exchanges. Any dividends in respect of Equity Shares will also be paid in Indian Rupees and subsequently converted into the relevant foreign currency for repatriation, if required. Any adverse movement in currency exchange rates during the time that it takes to undertake such conversion may reduce the net divided to foreign investors. In addition, any adverse movement in currency exchange rates during a delay in repatriating outside India the proceeds from a sale of Equity Shares, for example, because of a delay in regulatory approvals that may be required for the sale of Equity Shares may reduce the proceeds received by the shareholders.

Profit & Loss

Rs in million

Particulars	FY19	FY18	FY17
Revenue from operations	18678.8	14704.6	15353.9
Other Income	887.8	991.0	674.7
Total Income	19566.6	15695.6	16028.5
Total Expenditure	14957.1	11973.6	12228.3
Cost of Materials Consumed	933.1	948.1	959.4
Excise Duty	0.0	43.7	157.4
Purchase of Stock in Trade	309.5	1580.1	1149.2
Changes in Inventories of finished goods, work inprogress and stock in trade	-1.5	-4.0	6.3
Expenses of Catering Services	6391.0	2462.7	780.9
Expenses of Tourism	3090.1	3052.0	4155.7
Manufacturing & direct Expenses	612.7	670.9	2377.6
Employee benefit expense	1950.6	1921.9	1638.5
Other Expenses	1671.6	1298.3	1003.3

PBIDT	4609.5	3722.0	3800.2
Interest	23.5	29.1	25.4
PBDT	4586.0	3693.0	3774.9
Depreciation and amortisation expense	286.4	236.6	224.1
PBT	4299.6	3456.3	3550.7
Tax (incl. DT & FBT)	1573.7	1250.1	1259.9
Current tax	1882.4	1160.4	1178.7
Deferred tax (net)	-308.7	89.8	81.2
PAT	2726.0	2206.2	2290.9
EPS (Rs.)	17.04	55.16	57.27
Equity	1600.0	400.0	400.0
Face Value	10.0	10.0	10.0
OPM (%)	19.9	18.6	20.4
PATM (%)	14.6	15.0	14.9

Balance Sheet:
Rs in million

Particulars	FY19	FY18	FY17
Assets			
Non-Current Assets	3250.5	2588.8	2597.7
Property, Plant and Equipment	1470.5	1556.5	1577.8
Capital work-in-progress	403.8	76.5	168.3
Investment Property	276.6	276.2	0.0
Other Intangible assets	75.5	65.6	126.2
Others financial assets	0.8	9.7	4.1
Loans	23.9	20.6	22.0
Deferred tax asset (Net)	770.8	463.5	575.2
Other non-current assets	228.7	120.3	124.1
Current assets	22587.3	20602.3	15666.9
Inventories	78.9	74.1	65.8
Trade receivables	5817.3	5509.2	2894.0
Cash and cash equivalents	4600.7	4931.6	4861.2
Bank Balances other than cash and cash equivalents	6799.7	3407.1	3668.5
Loans	83.5	89.9	95.8
Others	347.3	170.7	159.2
Current tax assets	100.9	82.8	68.4
Other current assets	4759.0	6,336.9	3,854.1
Total Assets	25837.8	23191.1	18264.5
Equity & Liabilities			
Shareholders Funds	10428.4	9545.3	7865.6
Equity Share Capital	1600.0	400.0	400.0
Other Equity	8828.4	9145.3	7465.6
Non-Current Liabilities	667.0	896.4	921.9
Other Financial Liabilities	147.2	242.3	58.8
Provisions	461.6	584.7	779.7
Other Non -current Liabilities	58.1	69.4	83.3
Current Liabilities	14742.5	12749.5	9477.1
Total outstanding dues of micro enterprises and small enterprises	19.8	8.6	3.6
Total outstanding dues of creditors other than micro enterprises and small enterprises	1899.8	1499.7	1372.1
Others	6259.3	5209.5	4231.9
Other Current Liabilities	6171.6	5999.0	3802.1
Provisions	137.5	32.8	12.1
Current tax liabilities (net)	254.5	0.0	55.1
Total Equity & Liabilities	25837.8	23191.1	18264.5

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