

Issue Details

Issue Opens	30th Sep'2019
Issue Closes	3rd Oct' 2019
Equity shares offered	2,01,60,000
Face Value (INR)	10
Price Band (INR)	315-320
Issue Size (INR Cr)	645
Minimum Application Lot	40
Listing	NSE, BSE
Book Running Lead Managers	IDBI Capital SBI Capital Mkt Yes Securities
Registrar To The Offer	Alankit Assignments Ltd

Allocation

QIB	50%
HNI	15%
Retail	35%

Stock Scan

Lower Price Band (INR)	315
Upper Price Band (INR)	320
EPS (FY2018-19)	17.04
P/E at Lower Price Band	18.5
P/E at Upper Price Band	18.8

Rating **Subscribe**
Share of Revenue (in %)

Particulars	FY17	FY18	FY19
Internet Ticketing	30.16	13.63	12.35
Catering	25.62	48.70	54.99
Packaged Drinking	10.22	11.13	9.28
Travel & Tourism	33.99	26.54	23.38

Research Analyst:
Sarthak Mukherjee
sarthak.mukherjee@smifs.com

PCG/HNI Research
Company Overview

IRCTC was incorporated on September 27, 1999 as a public limited company and 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. The Co. was conferred the status of Mini ratna (Category-I Public Sector Enterprise) by the Government of India, on May 1, 2008. IRCTC operates as one of the most transacted websites, www.irctc.co.in, in the Asia-Pacific region with transaction volume averaging 15 to 18 million transactions per month during the three months ended June 30, 2019. The Co. have diversified into other businesses, including non-railway catering and services such as e-catering, executive lounges and budget hotels, which are in line with the objective to build a "one stop solution" for the customers.

Scope & Business of the Company:

- Catering :** The Co. provides food catering services to Indian Railway passengers on trains and at stations for approximately 350 pre-paid and post-paid trains and 530 static units 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.
- Internet Ticketing & Travel and Tourism:** Mandated by Indian Railways to provide tourism and travel related services, the Co. 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.
- Packaged Drinking Water (Rail Neer):** IRCTC is the only entity authorized to manufacture and distribute packaged drinking water at all railway stations and on trains through 10 plants (capacity ~1.09 m litres per day) catering to 45% of the overall demand of packaged drinking water at railway premises and in trains. To increase presence and meet the increasing demand, IRCTC is expanding via setting up around 10 additional plants.

Valuation and Recommendation: The stock is valued at a PE of 18.8 and 18.5 based on upper and lower issue price band. We believe the stock is valued reasonably and thus recommend to **SUBSCRIBE**.

Financial Performance at a glance

Particulars (INR Cr)	FY2017	FY2018	FY2019
Revenue from Operations	1,535.39	1,470.46	1,867.88
Growth (%)	N/A	-4.23	27.03
EBITDA (Ex OI)	312.55	273.10	372.17
EBITDA Margins (%)	13.90	16.70	15.90
Net Profit	229.08	220.62	272.59
Net Profit Margin (%)	14.30	14.10	13.90
Net Profit Growth (%)	N/A	-3.69	23.56
EPS	14.32	13.79	17.04
RoNW (%)	29.12	23.11	26.14

Source: Company RHP, SMIFS Research

The stake sale will result in the government reducing its stake in the company to about 87.5%.

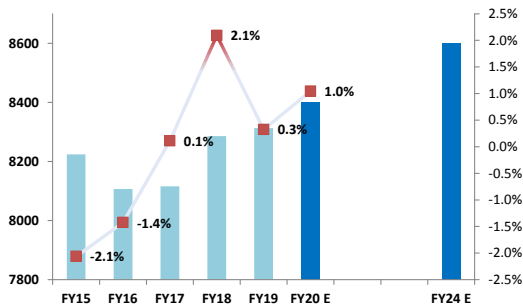
Trial of running 2 trains from October (Lucknow-Delhi, Mumbai-Ahmedabad) with flexibility in pricing leading to higher revenue.

IRCTC's stake sale is a part of Modi government's full year divestment programme. The government has budgeted to raise INR105000 crore by way of CPSE disinvestment in the current fiscal up from INR90000 crore in interim budget.

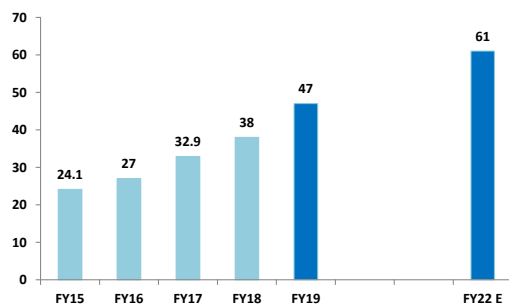
Opportunities:

- As per the **National Restaurant Association of India (NRAI)**, the food services industry was estimated at INR3.09 trillion in FY16 and has grown at a ~11% CAGR to reach INR4.24 trillion in FY19. The growth was driven by growing young population, rising disposable incomes, uptick in discretionary spending on eating out, and growing number of women in work force.
- Domestic Tourist Visits (DTVs) 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.
- The **direct contribution of India's travel and tourism industry to GDP** grew at a strong 11.2% CAGR between FY13 and FY18 to reach INR~6.8 trillion driven by rising incomes and improved availability and affordability of travel, though the growth moderated in FY17 due to liquidity crunch caused by demonetization.
- The government had announced a **planned outlay of INR1.6 trillion** for the railways in the Union Budget 2020, 8% higher than the preceding year's INR1.48 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.
- By 2030, India's population is projected to touch 1.5 billion and urbanisation likely to reach 40% - Thus with increased digitization and increased internet penetration, the company is expected to see good growth on the topline.

Railway Passenger Traffic (in mn)



Trend of internet penetration in India (in %)



IRCTC has restored Convenience fee on e-tickets booked through its website. However, to the relief of passengers, it has decided to levy less charge as compared to what was charged prior to 2016 (after which it was removed). The convenience fee will be charged at INR15 per ticket for non-AC class, INR30 per ticket for AC class. Unlike 50% sharing of convenience fees with Railways earlier, now will be fully retained with IRCTC which will flow straight to the bottom-line.

Risk Factors:

Increase in Air-Traffic: Of late, railway traffic has been flat while the air traffic has been growing in double digits owing to low air fares by no frill carriers. If there is a general trend among travelers to shift to air traffic resulting from low air fares which can happen if crude prices remain on the lower side with significant increase in capacity with the airlines, this might impact topline.

Business and revenues are substantially dependent on Indian Railways. Any adverse change in policy of the Ministry of Railways may adversely affect the business and operations.

Failure to manage online security, security of customers' personal information and credit card fraud may expose the company to litigations and liabilities.

Disclaimer

Analyst Certification:

We/I, Sarthak Mukherjee, Research Analyst(s) of Stewart & Mackertich Wealth Management Limited (in short “Stewart & Mackertich/ the Company”), authors and the names subscribed to this Research Report, hereby certify that all of the views expressed in this Research Report accurately reflect our views about the subject issuer(s) or securities and distributed as per SEBI (Research Analysts) Regulations 2014. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this Research Report. It is also confirmed that We/I, the above mentioned Research Analyst(s) of this Research Report have not received any compensation from the subject companies mentioned in the Research Report in the preceding twelve months and do not serve as an officer, director or employee of the subject companies mentioned in the Research Report.

Terms & Conditions and Other Disclosures:

Stewart & Mackertich Wealth Management Ltd is engaged in the business of Stock Broking, Depository Services, Portfolio Management and Distribution of Financial Products. Stewart & Mackertich Wealth Management Ltd is registered as Research Analyst Entity with Securities & Exchange Board of India (SEBI) with Registration Number – INH300001474.

Stewart & Mackertich and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Research Analysts. Stewart & Mackertich generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this Research Report have been prepared by Stewart & Mackertich and are subject to change without any notice. The Research Report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Stewart & Mackertich Wealth Management Ltd. While we would endeavor to update the information herein on a reasonable basis, Stewart & Mackertich is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Stewart & Mackertich from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or policies of Stewart & Mackertich, in circumstances where Stewart & Mackertich might be acting in an advisory capacity to this company, or in certain other circumstances.

This Research Report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This Research Report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Securities as defined in clause (h) of section 2 of the Securities Contract Act, 1956, includes Financial Instruments, Currency and Commodity Derivatives. Though disseminated to all the customers simultaneously, not all customers may receive this Research Report at the same time. Stewart & Mackertich will not treat recipients as customers by virtue of their receiving this Research Report. Nothing in this Research Report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this Research Report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Stewart & Mackertich accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this Research Report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. The information given in this report is as of date of this report and there can be no assurance that future results or events will be consistent with this information. The information provided in this report remains, unless otherwise stated, the copyright of Stewart & Mackertich. All layout, design, original artwork, concepts and intellectual Properties remains the property and copyright of Stewart & Mackertich and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the Stewart & Mackertich.

Stewart & Mackertich shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, breakdown of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of Stewart & Mackertich to present the data. In no event shall Stewart & Mackertich be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the Stewart & Mackertich through this report.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (a) Exchange Rates can be volatile and are subject to large fluctuations; (b) the value of currencies may be affected by numerous market factors, including world and notional economic, political and regulatory events, events in Equity & Debt Markets and changes in interest rates; and (c) Currencies may be subject to devaluation or government imposed Exchange Controls which could affect the value of the Currency. Investors in securities such as Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Since associates of Stewart & Mackertich are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this Research Report.

Stewart & Mackertich and its Associates, Officers, Directors, Employees, Research Analysts including their relatives worldwide may: (i) from time to time may have long or short positions in, and buy or sell the Securities, mentioned herein or (ii) be engaged in any other transaction involving such Securities and earn brokerage or other compensation or act as a market maker in the Financial Instruments of the Subject Company/ companies mentioned herein or act as an Advisor or Lender/Borrower to such Companies or have other potential/material Conflict of Interest with respect to any recommendation and related information and opinions at the time of the publication of the Research Report. Or at the time of Public Appearance. Stewart & Mackertich does not have proprietary trades but may at a future date, may opt for the same with prior intimation to Clients/ Investors and extant Authorities where it may have proprietary long/short position in the above Scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider Risk Appetite or Investment Objective of any particular Investor; Clients/ Readers/ Subscribers of this Research Report are requested to take independent professional advice before investing. The information provided herein should not be construed as invitation or solicitation to do business with Stewart & Mackertich.

Stewart & Mackertich or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the Research Report as of the last day of the month preceding the publication of the Research Report.

Stewart & Mackertich encourages independence in Research Report preparation and strives to minimize conflict in preparation of Research Report. Accordingly, neither Stewart & Mackertich and their Associates nor the Research Analysts and their relatives have any material conflict of interest at the time of publication of this Research Report or at the time of the Public Appearance, if any.

Stewart & Mackertich or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

Stewart & Mackertich or its associates might have received any compensation from the companies mentioned in the Research Report during the period preceding twelve months from the date of this Research Report for services in respect of managing or co-managing public offerings, corporate finance, investment banking, brokerage services or other advisory service in a merger or specific transaction from the subject company.

Stewart & Mackertich or its associates might have received any compensation for products or services other than investment banking or brokerage services from the subject companies mentioned in the Research Report in the past twelve months.

Stewart & Mackertich or its associates or its Research Analysts did not receive any compensation or other benefits whatsoever from the subject companies mentioned in the Research Report or third party in connection with preparation of the Research Report.

Compensation of Research Analysts is not based on any specific Investment Banking or Brokerage Service Transactions.

The Research Analysts might have served as an officer, director or employee of the subject company.

Neither the Research Analysts nor Stewart & Mackertich have been engaged in market making activity for the companies mentioned in the Research Report.

Stewart & Mackertich may have issued other Research Reports that are inconsistent with and reach different conclusion from the information presented in this Research Report.

A graph of daily closing prices of the securities/commodities is also available at www.nseindia.com and/or www.bseindia.com, www.mcxindia.com and/or www.icex.com.

Stewart & Mackertich submit that no material disciplinary action has been taken on the Company by any Regulatory Authority impacting Equity Research Analysis activities in last 3 years.

This Research Report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Stewart & Mackertich and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

For queries related to compliance of the report, please contact: -

Sudipto Datta, Compliance Officer

Stewart & Mackertich Wealth Management Ltd.

Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: +91 33 4011 5414 /91 33 6634 5414

Email Id.: compliance@smifs.com |Website: www.smifs.com