

INDIAN RAILWAY CATERING AND TOURISM CORPORATION LIMITED (IRCTC)

Nifty	11,546
Sensex	38,973.70

Issue Details

Offer Price Band	₹315-320
Face Value	₹10
Shares Offered	20,160,000
Implied Market cap	₹5040-5120 Cr
Retail & Employee Discount	₹10/-per share
Type	Offer for Sale
Listing (Stock Exchange)	NSE, BSE
Offer Open Date	30-Sep, 2019
Offer Close Date	3-Oct, 2019
Bid Lot	40 Shares

Shareholding Pattern (%)	Pre-Offer	Post Offer
Promoter & Promoter Group	100%	87.40%
Public	0%	12.60%

Issue Details

QIB	50%
NIB	15%
Retail	35%

Investors should read the risk factors and more detailed information in the Prospectus and the application form before investing in the issue.

(₹ mn)

Financials	Mar-19	Mar-18	Mar-17
Revenue	19567	15696	16029
EBITDA	3,989	3,190	3,301
PAT	2726	2206	2291
EPS	17.06	13.79	14.32

Source: RHP, Way2Wealth Inst. Equity

Tausif Shaikh

Tel: +9122-6663274

tausifshaikh@way2wealth.com

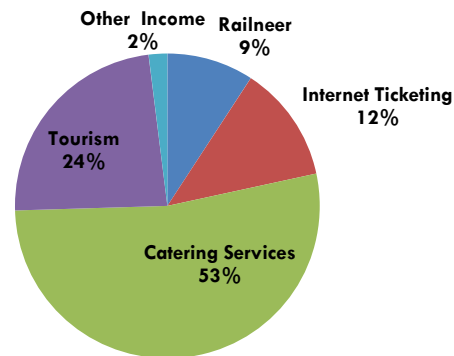
Company Background

IRCTC is a Central Public Sector Enterprise wholly owned by the Government of India and under the administrative control of the Ministry of Railways. The company 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. IRCTC was conferred the status of Mini – Ratna (Category-I Public Sector Enterprise) by the Government of India, on May 1, 2008.

Objective of the Issue

The IPO is part of the government's plans to take rail entities public and disinvestment programme. In 2017, the Cabinet Committee on Economic Affairs approved the listing of five railway companies – IRCON International, RITES, RVNL, IRFC and IRCTC. IRCON International and RITES have already been made their market debut in the market while RailTel and IRFC (Indian Railway Finance Corporation) might also hit the markets soon. The government will raise ~₹6400 mn from IRCTC IPO after divesting its 12.5% stake.

Revenue Break-up



- **Internet Ticketing** – Internet ticketing only contributes 12% of the total revenue for IRCTC but at the bottom line, the contribution is significant as it is high margin business. IRCTC currently is one of the largest websites in the Asia-Pacific region with a transaction volume of more than 2.5 Cr per month, and with approximately 0.72 crore logins per day. Powered by the increasing internet penetration in India, 72.60% of total Indian Railways' ticket bookings were done online through the company's website/mobile application during the 5 months ended August 31, 2019.
- **Catering Services** – Catering service is the largest contributor to IRCTC's revenue however profit margin from the business is less. The company is planning to roll out at least 10 new pantry cars in Fiscal 2020 once the design is approved by Indian Railways. IRCTC catering services are divided into two types i.e Mobile Catering and Static Catering
- **Packaged Drinking Water (Rail Neer)** – IRCTC has 10 operational Rail Neer plants and additionally, they are setting up 6 new Rail Neer plants. With improving awareness on health and hygiene, increased tourism, and the easy availability of packaged drinking water, per capita consumption of packaged drinking water in India, is on the rise. The market size is expected to cross more than ₹80 billion in coming years.
- **Tourism** – IRCTC launched their tourism portal www.irctctourism.com in 2007 and has been offering complete online travel solutions to the customers over the last 12 years. IRCTC offers Luxury Train Tours Maharajas' Express, Buddhist Circuit Special Train, Bharat Darshan Special Tourist Trains, theme-based tourist trains, Rail Tour Packages, international and domestic air packages, land tour packages, hotel booking, car rental, LTC tours and event management.

Strength

- IRCTC is the only entity authorised by the Ministry of Railways to offer Railway tickets online
- Authorised catering service provider to passengers travelling by Indian Railways
- Comprehensive tourism and hospitality service provider in India
- Exclusively authorized for manufacturing and supplying packaged drinking water at railway station and trains
- Robust operating system and internal controls
- Qualified and experienced employees and management team.

Risk

- Revenues are substantially dependent on Indian Railways. Any adverse change in policy might affect results.
- If the Government allows open competition in business segments which IRCTC operates, it may impact financial results.
- Business can be negatively affected if the company is unable to maintain quality standards
- Failure to adapt to technological developments or industry trends could harm business.
- Risks associated with online security

Valuation And Investment Argument

IRCTC is the only entity authorized by Indian Railways to provide catering services to railways, online railway tickets and packaged drinking water at railway stations and trains in India. During FY19, IRCTC's revenues increased 25% to ₹19,567mn while profit grew 23.5% to ₹2726mn over the previous year. The company has a superior financial metrics compared to listed domestic peers such as International Travel House (ITH) and Thomas Cook (India) and it a debt-free company with a cash balance of nearly ₹11,400mn. At the price band of ₹315-320, the asking valuation for IRCTC is ~19x P/E (FY19). We believe the valuation is reasonable and the company has the potential to offer higher returns to the investors over the next 12-18 months. **We recommend investors with a long-term investment horizon to SUBSCRIBE to the issue.**

Relative Valuation	M.cap(Cr)	EBITDA in %	ROE	Debt/Equity	P/E
IRCTC	5100	21.3%	27%	0.1%	19
Thomas Cook	5200	4%	0.01%	12%	56
Cox & Kings*	70	14%	10.3%	48%	-
International Travel House	72	7%	2%	2%	27
*FY18 Financials					

Financials

	(₹ mn)		
Income Statement	Mar-19	Mar-18	Mar-17
Revenue from operations	18679	14705	15354
Other Income	888	991	675
Total Income	19567	15696	16029
Expenses			
Cost of Materials Consumed	933	948	959
Excise Duty	-	44	157
Purchase of Stock-in-Trade	310	1580	1149
Changes in Inventories of finished goods, work-in-progress and Stock-in-Trade	-1	-4	6
Expenses of Catering Services	6391	2463	781
Expenses of Tourism	3090	3052	4156
Manufacturing & Direct Expenses	613	671	2378
Employee benefit expense	1951	1922	1638
Finance costs	23	29	25
Depreciation and amortization expense	286	237	224
Other Expenses	1672	1298	1003
Total Expenses	15267	12239	12478
Profit before exceptional items and tax	4300	3456	3551
Exceptional Items	0	0	0
Profit before tax	4300	3456	3551
Tax expense:			
(1) Current tax	1882	1160	1179
(2) Deferred tax	-309	90	81
Profit/(Loss) for the period from continuing operations	2726	2206	2291
Profit/(Loss) from discontinued operations	0	0	0
Tax expense of discontinued operations	0	0	0
Net Profit/(Loss) from discontinued operations	0	0	0
Profit/(Loss) for the period	2726	2206	2291

	(₹ mn)		
Balance Sheet	Mar-19	Mar-18	Mar-17
ASSETS			
Non-current assets			
Property, Plant and Equipment	1,471	1,556	1,578
Capital work-in-progress	404	77	168
Investment Property	277	276	-
Other Intangible Assets	75	66	126
Financial Assets			
Investments	0	0	0
Loans	24	21	22
Other Financial Assets	1	10	4
Deferred Tax Assets (Net)	771	464	575
Other Non-Current Assets	229	120	124
Total Non Current Assets	3,251	2,589	2,598
Current Assets			
Inventories	79	74	66
Financial Assets			
Trade Receivables	5,817	5,509	2,894
Cash and Cash Equivalents	4,601	4,932	4,861
Bank Balances other than (ii) above	6,800	3,407	3,668
Loans	84	90	96
Others	347	171	159
Current Tax Assets (Net)	101	83	68
Other Current Assets Total Current Assets	4,759	6,337	3,854
Total Current Assets	22,587	20,602	15,667
Total Assets	25,838	23,191	18,265
EQUITY AND LIABILITIES			
Equity			
Equity Share Capital	1600	400	400
Other Equity Total Equity	8828	9145	7466
Total Equity	10428	9545	7866
Liabilities			
Non-current liabilities			
Financial Liabilities			
Other Financial Liabilities	147	242	59
Provisions	462	585	780
Other Non-Current Liabilities	58	69	83
Total Non Current Liabilities	667	896	922
Current liabilities			
Financial Liabilities			
Trade payables	0	0	0
(a) total outstanding dues of micro enterprises and small enterprises	20	9	4
(b) total outstanding dues of creditors other than micro enterprises and small enterprises	1900	1500	1372
(ii) Others	6259	5209	4232
Other Current Liabilities	6172	5999	3802
Provisions	138	33	12
Current Tax Liability (Net)	254	-	55
Total Current Liabilities	14742	12749	9477
Total Equity and Liabilities	25838	23191	18265

	(₹ mn)		
A. Cash Flow from Operating Activities	Mar-19	Mar-18	Mar-17
Profit before tax	4,299.63	3,456.34	3,550.68
Adjustments for :-			
Depreciation	286.40	236.61	224.14
Loss on sale of Fixed Assets	1.45	4.07	9.20
Profit on sale of Fixed Assets			
Interest Income	(572.55)	(456.81)	(443.91)
Dividend Received	(63.73)	(38.89)	-
Other Comprehensive Income	4.00	63.28	-
Operating Profit before operating capital changes (1)	3,955.20	3,264.60	3,340.11
Adjustments for :-			
Decrease / (Increase) in Inventories	(4.84)	(8.26)	16.80
Decrease / (Increase) in Trade & Other Receivables	(308.09)	-2,615.24	(371.86)
Decrease / (Increase) in Other Non Current Financial assets	8.86	(5.58)	-
Decrease / (Increase) in Other Current Financial assets	(8.75)	0.33	8.88
Decrease / (Increase) in Current tax assets	(18.03)	-	12.82
Decrease / (Increase) in Other Current assets	1,577.90	-2,482.78	(728.79)
Decrease / (Increase) in Other Non Current assets	(108.47)	33.05	58.07
Decrease / (Increase) in Financial Assets Loans	3.02	7.33	(10.63)
(Decrease) / Increase in other Non current financial liability	(95.10)	183.49	43.22
(Decrease) / Increase in Non Current Provisions	(123.09)	(195.04)	(55.81)
(Decrease) / Increase in Other Non current liabilities	(11.25)	(13.96)	2.54
(Decrease) / Increase in trade payables	411.31	132.51	858.81
(Decrease) / Increase in Other financial liability (Decrease) / Increase in Current provisions	1,049.85	977.52	633.62
(Decrease) / Increase in Other Current Liability	121.17	2,196.84	969.19
(Decrease) / Increase in Current provisions	104.78	20.64	(13.76)
	2599.27	(1769.15)	1423.10
Cash generated from operation	6,554.47	1,495.45	4,763.21
Income Tax Paid	-1,627.86	-1,259.18	-1,380.83
Total Cash generated from Operating Activities	4,926.61	236.27	3,382.38
B. Cash Flow From Investing Activities			
Sale/Disposal of Property, Plant and Equipment's & Other intangible assets	3.41	2.09	1.17
Purchase of Property, Plant and Equipment's & Other intangible assets	(542.80)	(345.26)	(321.25)
Interest Receivable	404.65	445.02	647.98
Dividend Received	63.73	38.89	
Changes in Other Bank balance	-3,392.52	261.31	607.76
Net Cash used in Investing Activities	-3463.53	402.05	935.66
C. Cash Flow From Financing Activities			
Dividend Paid (including Tax on Dividend)	-1,793.98	(567.91)	-1,359.49
Net Cash generated from Financing Activities	-1,793.98	-567.91	-1,359.49
Net Increase/(Decrease) in Cash and Cash Equivalents	-330.90	70.41	2,958.55
Opening Cash & Cash Equivalents	4,931.59	4,861.18	1,902.63
Closing Cash & Cash Equivalents	4,600.69	4,931.59	4,861.18

Team

Analyst	Designation	Sector	Email	Telephone
Alok Ranjan	Head – Research		alokranjan@way2wealth.com	+9122-6146 2902
JayakanthKasthuri	Research Analyst	Logistics & Capital Goods	Jayakanthk@way2wealth.com	+9122-6663 8956
Ashwini Sonawane	Research Associate	FMCG	ashwinisonawane@way2wealth.com	+9122-4019 2956
Tausif Shaikh	Research Associate	Pharma	tausifshaikh@way2wealth.com	+9122-6146 2974
Yogita Desai	Research Analyst	Chemicals & Building Materials	yogitadesai@way2wealth.com	+9122-40278991
Harshil Gandhi	Research Analyst	BFSI	harshilgandhi@way2wealth.com	+9122-6663 8950
Institutions	Designation		Email	Telephone
Kaushal Jaini	Vice President		kaushaljaini@way2wealth.com	+9122-40278919
Manisha Panchal	Institutional Dealer		manishapanchal@way2wealth.com	+9122-40278984

Disclaimer

Analyst Certification: I, Tausif Shaikh, the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Tausif Shaikh, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement in Indian Railway Catering and Tourism Corporation Limited (IRCTC) as on September 27, 2019

Name of the Security	Indian Railway Catering And Tourism Corporation Limited (IRCTC)
Name of the analyst	Tausif Shaikh
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	No
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.