



IRCTC

Travel & Hospitality services

STOCK IDEA

Rating: BUY

Date	Mar 02, 2021
CMP (Rs)	1897.1
Target Price	2230.0
Potential Upside	18%

BSE Sensex	50297
NSE Nifty	14919

Scrip Code

Bloomberg	IRCTC IN
Reuters	INIR BO
BSE Group	A
BSE Code	542830
NSE Symbol	IRCTC

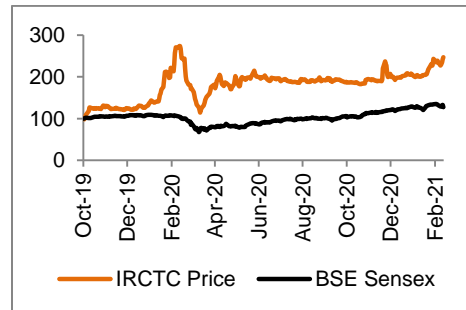
Market Data

Mar. cap(Rs Cr)	30,370
Eq. Cap.(Rs Cr)	160
52 Wk High/Low	1989/775
Avg.Qtly Volume	186092
Face Value (Rs)	10

Shareholding Pattern (%)

Particulars (%)	Dec-20	Sep-20	Jun-20
Promoters	67.4	87.4	87.4
FII	8.4	0.9	0.8
DII	7.7	1.7	1.4
Others	16.6	10.1	10.5

Comparative Price Chart



Liza Fernandes

Research Analyst - Equities

lizafernandes@systematixgroup.in

(022) 66198172

Indian Railway Catering and Tourism Corporation Ltd. (IRCTC) is a "Mini Ratna" Central Public Sector Enterprise under Ministry of Railways. It was incorporated in 1999, as an extended arm of Indian railways to upgrade, professionalize and manage the catering and hospitality services at stations, on trains and other locations and to promote domestic and international tourism. IRCTC is exclusive partner to Indian railways for its catering and ticketing services. Further, Company also provides with packaged bottled water 'Rail Neer' on exclusive basis in trains and stations. Company sells air tickets, tour and travel packages, Hotel bookings for both domestic and international tourism through its ticketing website, as well, providing it with additional revenue stream. Pandemic has severely impacted company's revenues from across its key segment. However, we expect company to post a healthy 9% growth in revenues over FY20-23e (vs. 14% growth over FY17-20) and 15% growth in profits (vs. 32% growth over FY17-20) driven by revival in economy and hospitality industry.

INVESTMENT RATIONALE

Monopoly in railway catering and internet ticketing gives business a strong moat

IRCTC is only authorized entity for Railway catering and internet ticketing platform. Both the segment contributes to ~70% of company's revenue and almost 90% of its EBIT. The monopoly nature of its catering services and ticketing provides it with assured cash flow. The online ticketing share is just at 73% in FY20 despite volume growing at 10.5% CAGR over the last 5 years. Pandemic has further given impetus to online ticketing and it has touched ~90% in 9mYTD FY21. Further, IRCTC has 6 crore user base of its website, which is growing by 25,000 users daily. This strong data base of users and provides company with advertising and other tools to monetize the same. Company has generated Rs ~10 cr of revenue from the advertising in Q3FY21. Thus, we believe company has strong business moat with both railway catering and internet ticketing business.

Private trains, Bus booking and DFC to provide growth impetus

IRCTC has been operating Tejas trains in 3 routes – (1) Delhi-Lucknow, (2) Mumbai-Ahmedabad, and (3) Varanasi-Indore. Indian Railways opening up 12 clusters with 151 trains for Private operators, in addition to the trains already operated by Indian Railways. The private operators will have freedom on deciding fare, operations of train, F&B, infotainment, etc. As per the plan, Indian railways to start 12 private-trains in FY23, 45 in FY24, 50 in FY26 and 44 in FY27. Given IRCTC's experience in running of the private trains Tejas, it can be expected to win few of these clusters to run private trains. Further, Railways is working on Dedicated Freight Corridors (DFC) connecting all the four Metro's (52% of Passenger Traffic). The Eastern and Western DFC are likely to be completed in 2022 which will boost the Indian railway capacity and also add to IRCTC's revenue stream. Further tie up with AbhiBus for bus booking recently provides IRCTC access to inventory across 100,000 bus routes, which will boost company's revenue stream.

Covid pandemic differs FY21 revenue growth to FY22, but act as catalyst to internet booking

IRCTC's FY21 revenue had been impacted by pandemic with travel and hospitality industry bearing the maximum burnt of the same. Pre-covid FY21 estimates for company's revenue growth stood at 20-25% but owing to pandemic, we expect company to de-grow by 64% now. However, with vaccination, economic recovery and improvement in travel industry, we expect the IRCTC to post better numbers in FY22 with a 168% yoy revenue growth. Further, price hikes in catering and shift of consumers towards internet for convenience and health platform will boost performance in coming quarters.

Key Risks

IRCTC's growth is linked to Indian Railways growth and performance. In past Government has made certain decision which has impacted IRCTC's performance. For instance, In 2016 service fee of Rs 20 on non AC tickets and Rs 40 on AC tickets was removed and this had impact on company's ticketing revenue and margins. Similar instances of change in government policy can have adverse impact in the future. Inefficient deployment of the company resources due to PSU nature of business can also affect company's growth and profitability.

Valuation and Outlook:

IRCTC's monopoly business is a strong cash generator, with FCF generation of Rs 1,400 cr over the last 5 years. The return ratio has been over 40% in FY20, despite the net cash in the book being high at Rs 1300 cr. With vaccination and recovery in the economy is expected to support travel and tourism market in coming years. We are building a 8.6% revenue CAGR over FY20-23, despite the pandemic and expect ~15% CAGR in PAT driven by increase in ticketing revenue and price hikes in catering business. **Given the monopoly nature, consumer technology platform, and strong cash flow of the business, we are ascribing a P/E multiple of 45x on FY23e EPS of the company and arrive at a TP of Rs 2230 per share. This represents a 18% upside on CMP of Rs 1897.**

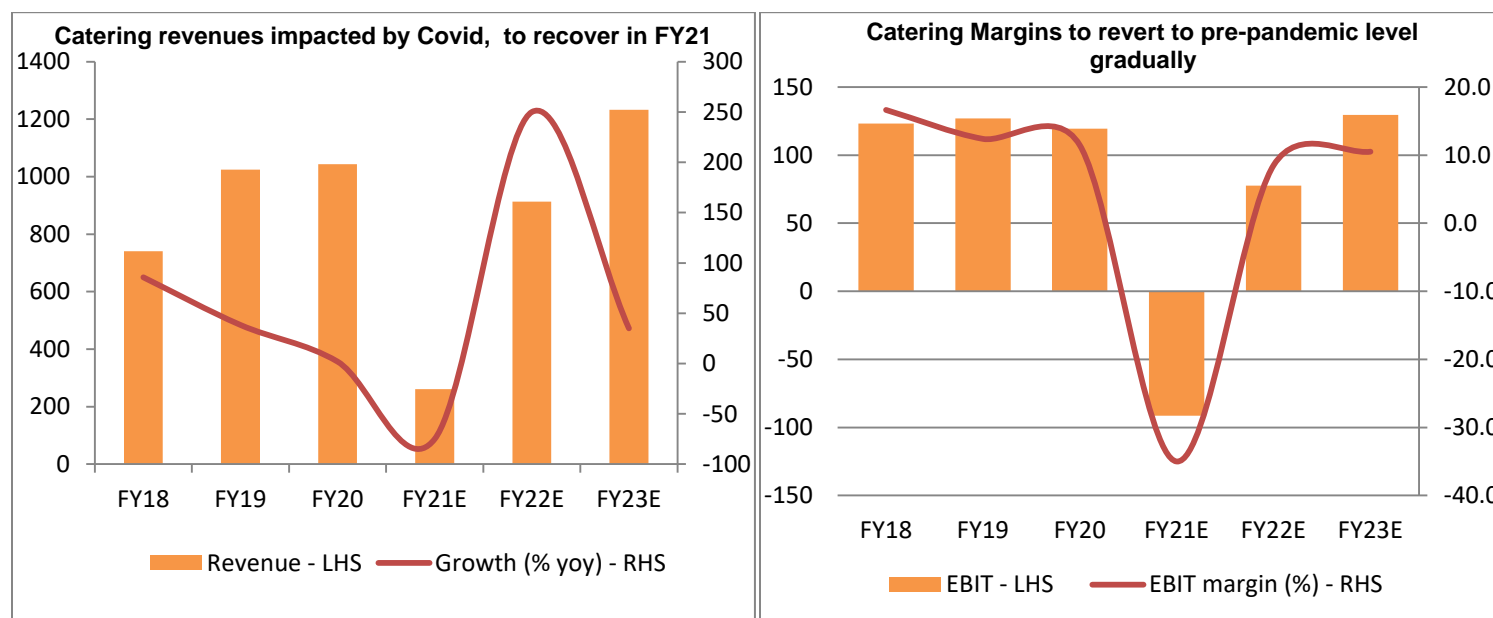
Particulars	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	EBITDAM (%)	PAT (Rs. Cr)	PATM (%)	EPS (Rs)	P/E (x)	EV/EBIDTA (x)
FY19	1,870	384	20.5%	309	17.7%	19.3	NA	NA
FY20	2,276	716	31.5%	529	23.2%	33.0	29.7	20.2
FY21E	810	264	32.6%	225	22.6%	14.1	137.9	112.8
FY22E	2,173	730	33.6%	581	26.7%	36.3	53.4	39.9
FY23E	2,919	1,007	34.5%	794	27.2%	49.6	39.1	28.2

Segment-wise Revenue and EBIT performance for IRCTC – 3 year CAGR

Segments	Revenue Share	EBIT Share	Revenue CAGR (FY17-20)	EBIT CAGR (FY17-20)
Catering	46	17	38	64
Internet Ticketing	27	71	10	37
Packaged Drinking Water	10	8	12	19
Tourism & Packages	17	3	(10)	(26)

Source: IRCTC, Systematix Research

CATERING – 46% of Revenue and 17% of EBIT for FY20



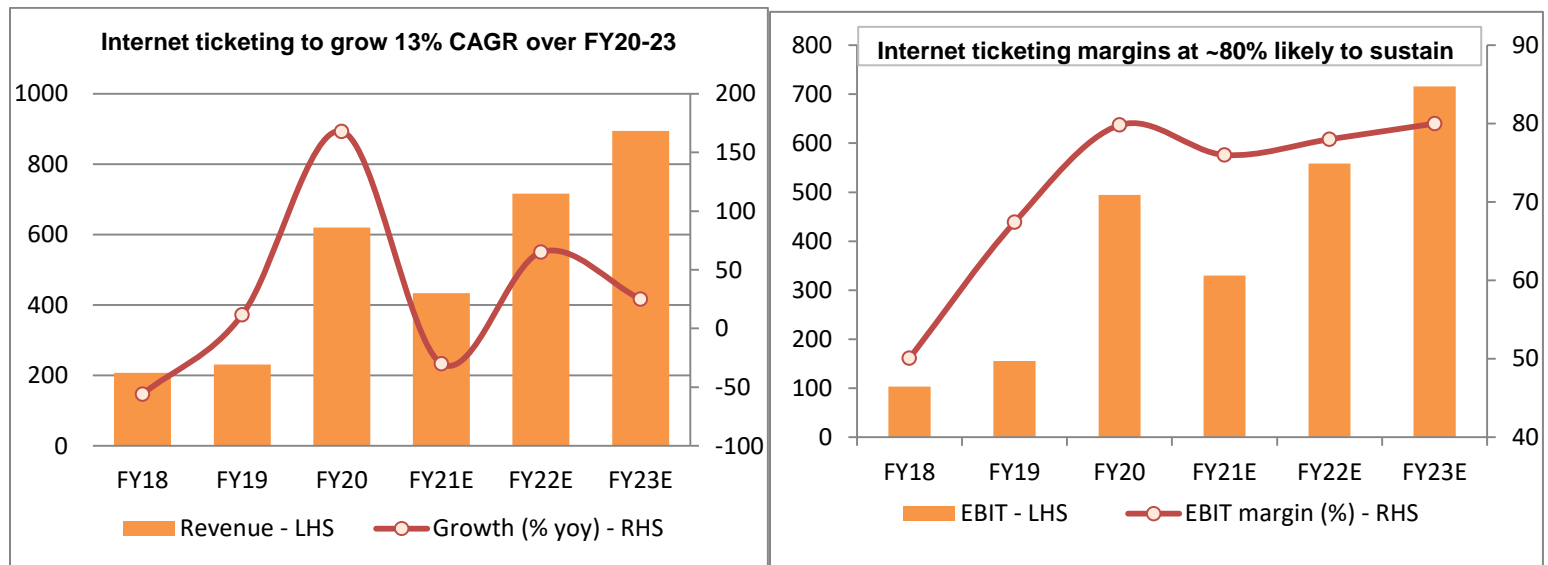
Source: IRCTC, Systematix Research

Static Catering price revision – December 2019

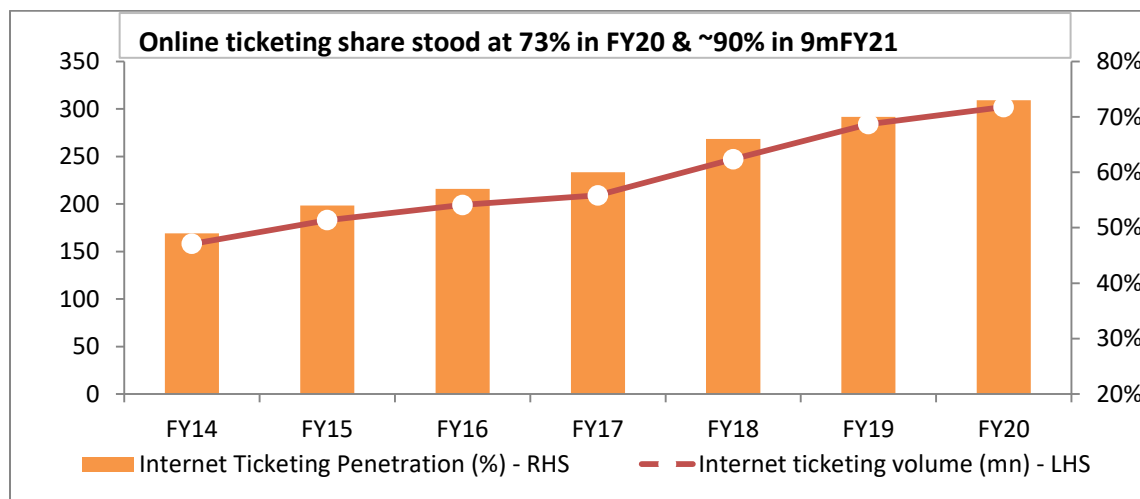
Items	Revised Tariff	Increase (%)
Breakfast (Veg)	Rs 35	40.0%
Breakfast (Non Veg)	Rs 45	50.0%
Standard Meal (Veg)	Rs 70	75.0%
Standard Meal (Non Veg)	Rs 80	78.0%

Source: IRCTC, Systematix Research

INTERNET TICKETING – 27% of Revenue and 71% of EBIT for FY20

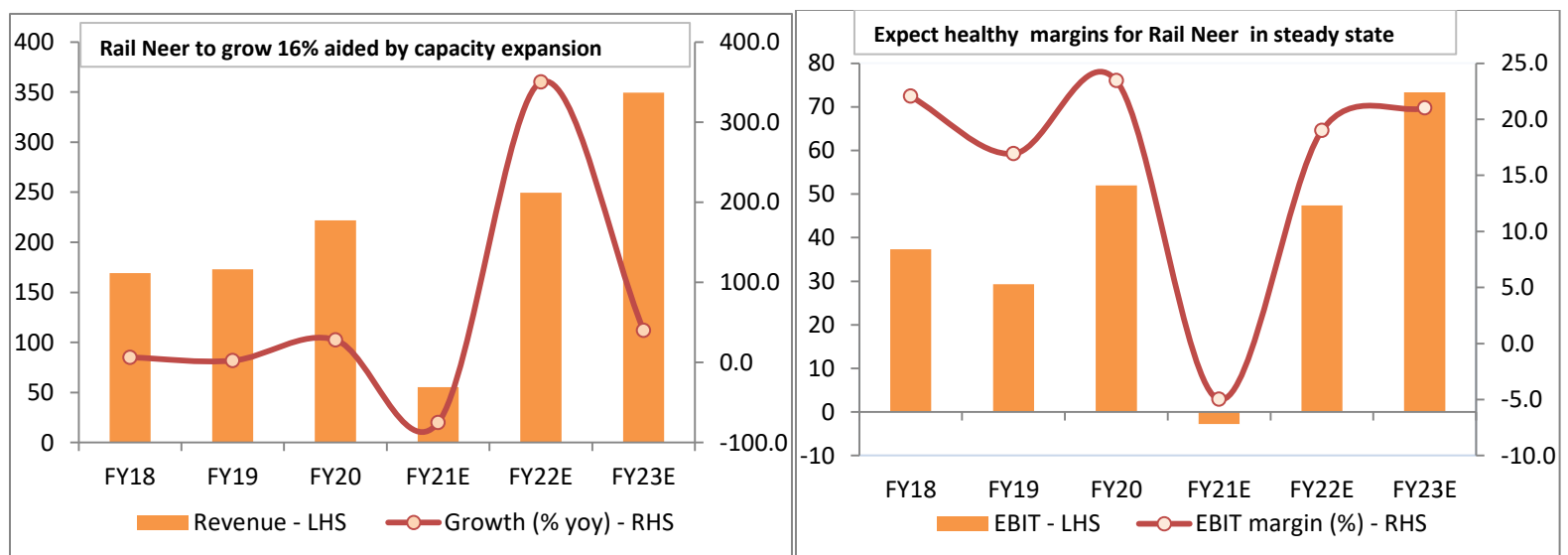


Source: IRCTC, Systematix Research



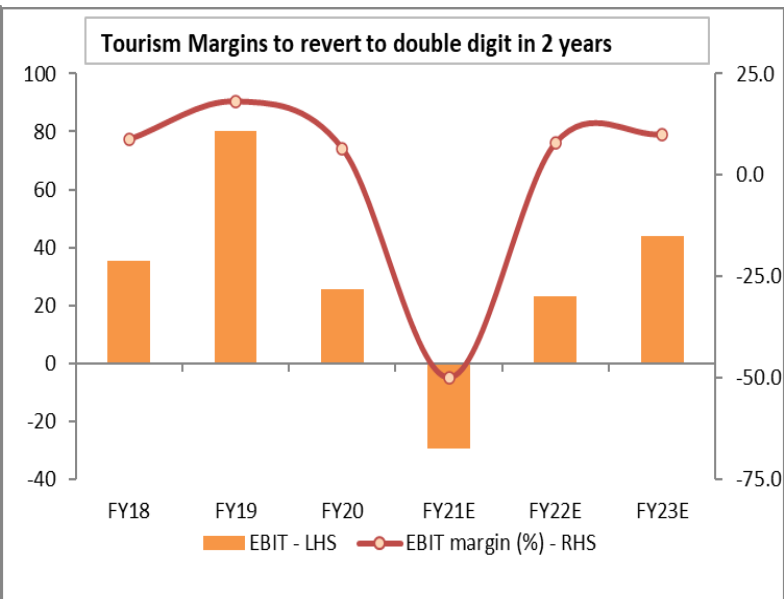
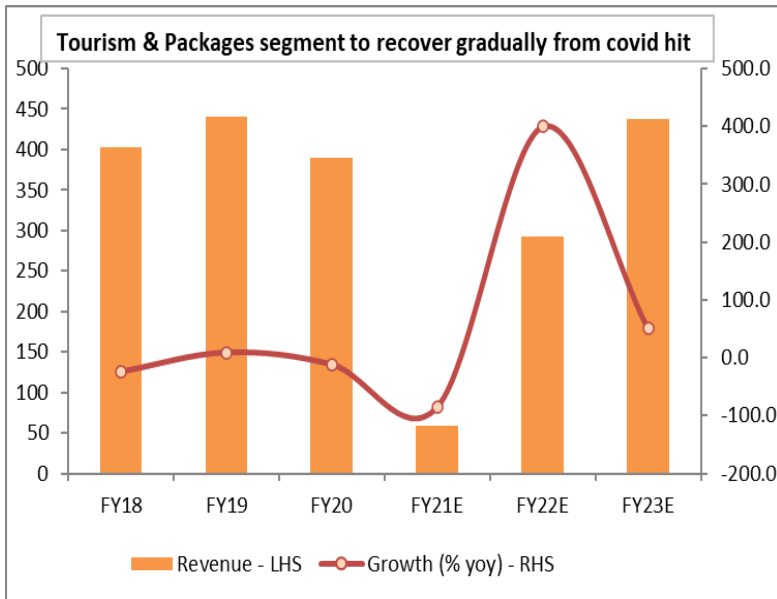
Source: IRCTC, Systematix Research

PACKAGED DRINKING WATER – 10% of Revenue and 8% of EBIT for FY20



Source: IRCTC, Systematix Research

TOURISM AND PACKAGES – 17% of Revenue and 3% of EBIT for FY20



Source: IRCTC, Systematix Research

Key Financials

INR Cr	FY19	FY20	FY21E	FY22E	FY23E
Revenue	1,870	2,276	810	2,173	2,919
EBITDA	384	716	264	730	1,007
PAT	331	528	183	581	794
Adj PAT	309	529	225	581	794
EPS (INR)	19.29	33.04	14.06	36.27	49.58
EBITDA Margin (%)	20.5%	31.5%	32.6%	33.6%	34.5%
NPM (%)	17.7%	23.2%	22.6%	26.7%	27.2%

Income Statement

INR Cr	FY 19	FY 20	FY 21E	FY 22E	FY 23E
Revenues	1,870	2,275	809	2,171	2,916
COGS	0	0	0	0	0
Gross profit	1,732	2,123	753	2,019	2,708
Employee cost	330	302	105	272	350
Other expenses	1,014	1,099	380	1,011	1,343
EBITDA	384	716	264	730	1,007
EBITDA Margin	20.5%	31.5%	32.6%	33.6%	34.5%
Depreciation & amortization	29	40	42	46	51
EBIT	355	676	222	685	956
Interest expense	2	7	6	8	9
Other income	126	77	85	100	115
PBT	479	745	301	777	1,062
Tax	170	217	76	196	268
Minority interest	0	0	0	0	0
PAT	331	528	183	581	794
Adj. PAT	309	529	225	581	794
EPS (INR)	19.3	33.0	14.1	36.3	49.6
CASH FLOW					
PARTICULARS	FY19	FY20	FY21E	FY22E	FY23E
Net Cash Generated From Operations	499	405	81	715	865
Net Cash Flow from/(used in) Investing Activities	(316)	11	(1)	50	55
Net Cash Flow from Financing Activities	(179)	(268)	(114)	(124)	(141)
Net Inc/Dec in cash equivalents	4	148	(34)	641	779
Opening Balance	493	497	608	1,263	1,903
Adjustments	(1)	(37)	689	(0)	(0)
Closing Balance Cash and Cash Equivalents	496	608	1,263	1,903	2,682

Key Ratio	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin (%)	20.5%	31.5%	32.6%	33.6%	34.5%
Tax rate (%)	36.0%	36.0%	29.0%	25.0%	25.0%
Net Profit Margin (%)	17.7%	23.2%	22.6%	26.7%	27.2%
RoE (%)	29.0%	40.0%	16.0%	31.0%	31.0%
RoCE (%)	27.3%	36.6%	16.0%	30.9%	31.3%
EPS (INR)	19.3	33.0	14.1	36.3	49.6

(Source: Company Filings)

BALANCE SHEET

Particulars	FY19	FY20	FY21E	FY22E	FY23E
Net worth	1071	1328	1403	1868	2530
Share Capital	160	160	160	160	160
Equity base (crs shares)	4	16	16	16	16
Debt	0	0	0	0	0
Other liabilities	67	136	40	40	40
Total Liabilities	1138	1464	1443	1908	2570
Gross Block (in WIP)	425	536	576	626	686
Goodwill	0	0	0	0	0
Accumulated Depreciation	202	236	278	324	375
Net Block	202	236	278	324	375
Capex	55	36	40	50	60
Capex/depreciation (x)	2	1	1	1	1
Investments	0	0	0	0	0
Cash	1140	1296	1263	1903	2682
Working Capital	-329	-224	-118	-298	-424
Inventory	8	10	4	12	16
Debtors	588	789	288	744	960
Loans & Advances	532	763	266	703	920
Creditors	1417	1755	665	1727	2279
Provisions	39	31	11	30	40
Other Assets	105	92	0	0	0
Total Assets	1138	1464	1443	1908	2570

DISCLOSURES/APPENDIX**ANALYST CERTIFICATION**

I/We, **CA Liza Fernandes & Arun Gopalan**, hereby certify that (1) views expressed in this research report accurately reflect my/our personal views about any or all of the subject securities or issuers referred to in this research report, (2) no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report by Systematix Shares and Stocks (India) Limited (SSSIL) or its group/associate companies, (3) reasonable care is taken to achieve and maintain independence and objectivity in making any recommendations.

Disclosure of Interest Statement	Update
Analyst holding in the stock (%)	
Served as an officer, director or employee	

ISSUER SPECIFIC REGULATORY DISCLOSURES, unless specifically mentioned in point no. 9 below:

- The research analyst(s), SSSIL, associates or relatives do not have any financial interest in the company(ies) covered in this report.
- The research analyst(s), SSSIL, associates or relatives collectively do not hold more than 1% of the securities of the company(ies) covered in this report as of the end of the month immediately preceding the distribution of the research report.
- The research analyst(s), SSSIL, associates or relatives did not have any other material conflict of interest at the time of publication of this research report.
- The research analyst, SSSIL and its associates have not received compensation for investment banking or merchant banking or brokerage services or any other products or services from the company(ies) covered in this report in the past twelve months.
- The research analyst, SSSIL or its associates have not managed or co-managed a private or public offering of securities for the company(ies) covered in this report in the previous twelve months.
- SSSIL or its associates have not received compensation or other benefits from the company(ies) covered in this report or from any third party in connection with this research report.
- The research analyst has not served as an officer, director or employee of the company(ies) covered in this research report.
- The research analyst and SSSIL have not been engaged in market making activity for the company(ies) covered in this research report.
- Details of SSSIL, research analyst and its associates pertaining to the companies covered in this research report:

S. No.	Particulars	Y/N
1	Whether compensation was received from the company(ies) covered in the research report in the past 12 months for investment banking transaction by SSSIL.	
2	Whether research analyst, SSSIL or its associates and relatives collectively hold more than 1% of the company(ies) covered in the research report.	
3	Whether compensation has been received by SSSIL or its associates from the company(ies) covered in the research report.	
4	Whether SSSIL or its affiliates have managed or co-managed a private or public offering of securities for the company(ies) covered in the research report in the previous twelve months.	
5	Whether research analyst, SSSIL or associates have received compensation for investment banking or merchant banking or brokerage services or any other products or services from the company(ies) covered in the research report in the last twelve months.	

- There is no material disciplinary action taken by any regulatory authority that impacts the equity research analysis activities.

EXPLANATION TO RATINGS: BUY: TP>15%; ACCUMULATE: 5%<TP<15%; HOLD: -5%<TP<5%; REDUCE: -15%<TP<-5%; SELL: TP<-15%

DISCLAIMER

The information and opinions contained herein have been compiled or arrived at based on the information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation or warranty, express or implied, is made as to its accuracy completeness or correctness.

This document is for information purposes only. This report is based on information that we consider reliable; we do not represent that it is accurate or complete and one should exercise due caution while acting on it. Description of any company(ies) or its/their securities mentioned herein are not complete and this document is not and should not be construed as an offer or solicitation of an offer to buy or sell any securities or other financial instruments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. All opinions, projections and estimates constitute the judgment of the author as on the date of the report and these, plus any other information contained in the report, are subject to change without notice. Prices and availability of financial instruments are also subject to change without notice. This report is intended for distribution to institutional investors.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject to SSSIL or its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently sent or has reached any individual in such country, especially USA, the same may be ignored and brought to the attention of the sender. Neither this document nor any copy of it may be taken or transmitted into the United States (to U.S. persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. Any unauthorized use, duplication, redistribution or disclosure of this report including, but not limited to, redistribution by electronic mail, posting of the report on a website or page, and/or providing to a third party a link, is prohibited by law and will result in prosecution. The information contained in the report is intended solely for the recipient and may not be further distributed by the recipient to any third party.

SSSIL generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, SSSIL generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that they cover. Our salespeople, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein. Our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. The views expressed in this research report reflect the personal views of the analyst(s) about the subject securities or issues and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The compensation of the analyst who prepared this document is determined exclusively by SSSIL; however, compensation may relate to the revenues of the Systematix Group as a whole, of which investment banking, sales and trading are a part. Research analysts and sales persons of SSSIL may provide important inputs to its affiliated company(ies).

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations which could have an adverse effect on their value or price or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies, effectively assume currency risk. SSSIL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on the basis of this report including but not restricted to fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

SSSIL and its affiliates, officers, directors, and employees subject to the information given in the disclosures may: (a) from time to time, have long or short positions in, and buy or sell, the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation (financial interest) or act as a market maker in the financial instruments of the company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential material conflict of interest with respect to any recommendation and related information and opinions. The views expressed are those of the analyst and the company may or may not subscribe to the views expressed therein.

SSSIL, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall SSSIL, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. The company accepts no liability whatsoever for the actions of third parties. The report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of the company, the company has not reviewed the linked site. Accessing such website or following such link through the report or the website of the company shall be at your own risk and the company shall have no liability arising out of, or in connection with, any such referenced website.

SSSIL will not be liable for any delay or any other interruption which may occur in presenting the data due to any technical glitch to present the data. In no event shall SSSIL 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 SSSIL through this presentation.

SSSIL or any of its other group companies or associates will not be responsible for any decisions taken on the basis of this report. Investors are advised to consult their investment and tax consultants before taking any investment decisions based on this report.

**Systematix Shares and Stocks (India) Limited**

Registered and Corporate address: The Capital, A-wing, No. 603 – 606, 6th Floor, Plot No. C-70, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051

CIN : U65993MH1995PLC268414 | BSE SEBI Reg. No.: INZ000171134 (Member Code: 182) | NSE SEBI Reg. No.: INZ000171134 (Member Code: 11327) | MCX SEBI Reg. No.: INZ000171134 (Member Code: 56625) | NCDEX SEBI Reg. No.: INZ000171134 (Member Code: 1281) | Depository Participant SEBI Reg. No.: IN-DP-CDSL-246-2004 (DP Id: 34600) | PMS SEBI Reg. No.: INP000002692 | Research Analyst SEBI Reg. No.: INH200000840 | Investment Advisor SEBI Reg. No. INA000010414 | AMFI : ARN – 64917