

# Indian Railway Catering and Tourism Corporation (IRCTC IN)

Rating: BUY | CMP: Rs1,456 | TP: Rs1,639

January 29, 2021

## Q3FY21 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	1,639		1,629	
Sales (Rs. m)	29,520	32,551	28,558	31,588
% Chng.	3.4	3.0		
EBITDA (Rs. m)	10,461	11,654	10,215	11,429
% Chng.	2.4	2.0		
EPS (Rs.)	52.1	58.3	51.0	57.2
% Chng.	2.3	1.8		

### Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	22,755	7,485	29,520	32,551
EBITDA (Rs. m)	7,134	1,612	10,461	11,654
Margin (%)	31.4	21.5	35.4	35.8
PAT (Rs. m)	5,263	1,469	8,337	9,322
EPS (Rs.)	32.9	9.2	52.1	58.3
Gr. (%)	125.1	(72.1)	467.6	11.8
DPS (Rs.)	12.5	3.5	15.6	17.5
Yield (%)	0.9	0.2	1.1	1.2
RoE (%)	44.4	10.5	47.6	39.3
RoCE (%)	56.8	8.8	57.2	47.0
EV/Sales (x)	9.7	28.8	7.3	6.5
EV/EBITDA (x)	30.8	133.8	20.7	18.2
PE (x)	44.3	158.6	27.9	25.0
P/BV (x)	17.5	16.0	11.4	8.6

### Key Data

### INIR.BO | IRCTC IN

52-W High / Low	Rs.1,995 / Rs.775
Sensex / Nifty	46,286 / 13,635
Market Cap	Rs.233bn/ \$ 3,193m
Shares Outstanding	160m
3M Avg. Daily Value	Rs.6087.75m

### Shareholding Pattern (%)

Promoter's	67.40
Foreign	8.38
Domestic Institution	7.67
Public & Others	16.55
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	3.2	7.6	30.4
Relative	6.2	(11.5)	16.1

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## Engine is back on TRACK

### Quick Pointers:

- 55mn tickets were booked online in 3QFY21 resulting in convenience fee income of Rs950mn.
- Currently ~400 trains are plying representing 35-40% of total capacity.

**We increase our FY21E adjusted EPS by 1.8x due to 1) substantial rise in e-booking penetration (reached ~91-92% post COVID; up from ~70-75% levels prevailing pre-COVID) and 2) conversion of certain unreserved coaches to reserved category thereby expanding IRCTC's ticket booking universe. While we expected online migration to pick up immediately post-COVID due to social distancing norms, the quantum was surprising. Further, converting unreserved coaches to reserved category was completely unforeseen resulting in substantial upgrade in FY21E EPS. However, our FY22E/FY23E EPS estimates are broadly intact with minor increase of 2.3%/1.8% respectively. The stock trades at 28x/25x our FY22E/FY23E EPS estimates and we expect premium valuations to sustain given optionality in earnings that can come from 1) railway privatization 2) delta in non-convenience income and 3) potential in e-catering business. We value the stock at P/E multiple of 28x (no change) and arrive at a revised TP of Rs1,639 (earlier Rs1,629). Retain BUY.**

**Top-line declines 68.7% YoY:** Revenues declined 68.7% YoY to Rs2,244mn (PLe of Rs1,770mn). Revenues from Internet Ticketing declined 37.0% YoY to Rs1,430mn. Catering revenues declined 81.8% YoY to Rs490mn. Rail Neer sales declined 71.1% YoY to Rs169mn while Tourism revenues were worst hit registering a decline of 83.7%YoY to Rs155mn. State Teertha revenues were NIL.

**Except for Internet Ticketing, all divisions report EBIT loss:** EBITDA declined 64.4% YoY to Rs946mn (PLe of Rs330mn) with a margin of 42.2%. Except for Internet Ticketing which reported EBIT of Rs1,091mn (has low fixed overheads), the other 3 segments viz; Catering, Rail Neer and Tourism & State Teertha reported EBIT loss of Rs79mn/Rs20mn/Rs114mn respectively.

**Con-call highlights:** 1) Non-convenience revenue stood at Rs480mn 2) The impact of catering tariff hike will be reflected once normalcy resumes (currently only pre-cooked/pre-packaged meals are served) 3) Cash on books is Rs15.6bn 4) In Dec, two Bharat Darshan trains operated at ~90% occupancy. By end of FY21, plan is to complete 14 tours (each tour carries ~700-800 tourists) 5) The two Tejas trains are expected to begin operations in Feb 6) Currently ~7.5-8lacs tickets are booked per day. Pre-COVID the figure was ~9-9.5 lacs tickets per day 7) As unreserved coaches are converted into sitting reserved coaches (2S), it has expanded IRCTC's ticketing booking universe. 8) Typical breakdown between AC/non-AC tickets is 33%/67% respectively 9) Blended rate per ticket was ~Rs17-18 in 3QFY21 as the share of BHIM/UPI transactions increased where the price is Rs10/Rs20 per non-AC/AC ticket respectively 10) E-booking penetration has increased to ~91-92% post COVID 11) Capex plans have been delayed by a year.



## Exhibit 1: Q3FY21 Result Overview (Rs mn)

Y/e March	Q3FY21	Q3FY20	YoY gr.	Q2FY21	QoQ gr.	9MFY21	9MFY20	YoY gr.
<b>Net sales</b>	<b>2,244</b>	<b>7,160</b>	<b>-68.7%</b>	<b>886</b>	<b>153.4%</b>	<b>4,443</b>	<b>16,886</b>	<b>-73.7%</b>
Total raw material cost	155	362	-57.2%	46	233.7%	288	1,126	-74.4%
As a % of sales	6.9%	5.1%		5.2%		6.5%	6.7%	
Expenses of catering	169	1,810	-90.7%	68	148.6%	925	5,272	-82.4%
As a % of sales	7.5%	25.3%		7.7%		20.8%	31.2%	
Expenses of tourism	133	1,215	-89.1%	32	321.0%	189	2,101	-91.0%
As a % of sales	5.9%	17.0%		3.6%		4.3%	12.4%	
Manufacturing & direct expenses	199	225	-11.8%	114	73.7%	438	691	-36.7%
As a % of sales	8.9%	3.1%		12.9%		9.9%	4.1%	
Employee expenses	508	607	-16.3%	509	-0.2%	1,513	1,755	-13.8%
As a % of sales	22.6%	8.5%		57.5%		34.1%	10.4%	
Other expenses	134	283	-52.9%	172	-22.4%	637	825	-22.8%
As a % of sales	6.0%	4.0%		19.4%		14.3%	4.9%	
<b>EBITDA</b>	<b>946</b>	<b>2,657</b>	<b>-64.4%</b>	<b>(56)</b>	<b>NM</b>	<b>452</b>	<b>5,115</b>	<b>-91.2%</b>
EBITDA margin	42.2%	37.1%		NM		10.2%	30.3%	
Depreciation	96	123	-21.6%	89	7.6%	276	295	-6.8%
<b>EBIT</b>	<b>850</b>	<b>2,534</b>	<b>-66.4%</b>	<b>(145)</b>	<b>NM</b>	<b>177</b>	<b>4,820</b>	<b>-96.3%</b>
EBIT margin	37.9%	35.4%		NM		4.0%	28.5%	
Interest cost	14	20	-29.7%	13	4.8%	44	44	0.2%
Other income	209	190	9.8%	202	3.4%	662	581	13.9%
<b>PBT</b>	<b>1,045</b>	<b>2,704</b>	<b>-61.4%</b>	<b>43</b>	<b>2323.7%</b>	<b>794</b>	<b>5,357</b>	<b>-85.2%</b>
Exceptional items	(1)	-	NM	424	NM	423	7	5905.1%
Tax expenses	263	646	-59.3%	140	87.3%	356	1,584	-77.5%
Tax rate	25.2%	23.9%		30.1%		29.2%	29.5%	
<b>PAT</b>	<b>781</b>	<b>2,058</b>	<b>-62.1%</b>	<b>326</b>	<b>139.3%</b>	<b>861</b>	<b>3,780</b>	<b>-77.2%</b>
PAT margin	34.8%	28.7%		36.9%		19.4%	22.4%	
<b>EPS (Rs)</b>	<b>4.9</b>	<b>12.9</b>	<b>-62.1%</b>	<b>2.0</b>	<b>139.3%</b>	<b>5.4</b>	<b>23.6</b>	<b>-77.2%</b>
<b>Adj. PAT</b>	<b>782</b>	<b>2,058</b>	<b>-62.0%</b>	<b>(97)</b>	<b>NM</b>	<b>438</b>	<b>3,773</b>	<b>-88.4%</b>

Source: Company, PL

\* Tax rate of 2QFY21 & 9MFY21 is calculated including exceptional gain



## Exhibit 2: Segmental Breakup (Rs mn)

Y/e March	Q3FY21	Q3FY20	YoY gr.	Q2FY21	QoQ gr.
<b>Catering</b>					
Revenue	490	2,692	-81.8%	172	185.2%
As a % of sales	21.8%	37.6%		19.4%	
EBIT	(79)	298	NM	(205)	NM
EBIT margin	NM	11.1%		NM	
<b>Internet ticketing</b>					
Revenue	1,430	2,269	-37.0%	583	145.3%
As a % of sales	63.7%	31.7%		65.8%	
EBIT	1,091	1,934	-43.6%	613	77.8%
EBIT margin	76.3%	85.2%		105.2%	
<b>Tourism</b>					
Revenue	155	949	-83.7%	39	301.2%
As a % of sales	6.9%	13.2%		4.4%	
EBIT	(114)	84	NM	(87)	NM
EBIT margin	NM	8.8%		NM	
<b>State Teertha</b>					
Revenue	-	664	NM	-	NM
As a % of sales	0.0%	9.3%		0.0%	
EBIT	-	96	NM	-	NM
EBIT margin	NM	14.5%		NM	
<b>Rail Neer</b>					
Revenue	169	586	-71.1%	92	83.2%
As a % of sales	7.5%	8.2%		10.4%	
EBIT	(20)	145	NM	(23)	NM
EBIT margin	NM	24.7%		NM	
<b>Total revenues</b>	<b>2,244</b>	<b>7,160</b>	<b>-68.7%</b>	<b>886</b>	<b>153.4%</b>

Source: Company, PL



## Financials

## Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>22,755</b>	<b>7,485</b>	<b>29,520</b>	<b>32,551</b>
YoY gr. (%)	21.7	(67.1)	294.4	10.3
Cost of Goods Sold	1,378	397	2,164	2,531
Gross Profit	21,377	7,088	27,356	30,020
Margin (%)	93.9	94.7	92.7	92.2
Employee Cost	2,440	2,021	2,627	2,864
Other Expenses	1,240	861	1,506	1,562
<b>EBITDA</b>	<b>7,134</b>	<b>1,612</b>	<b>10,461</b>	<b>11,654</b>
YoY gr. (%)	86.2	(77.4)	549.0	11.4
Margin (%)	31.4	21.5	35.4	35.8
Depreciation and Amortization	399	383	442	523
<b>EBIT</b>	<b>6,735</b>	<b>1,229</b>	<b>10,019</b>	<b>11,131</b>
Margin (%)	29.6	16.4	33.9	34.2
Net Interest	73	60	53	52
Other Income	781	900	1,150	1,350
<b>Profit Before Tax</b>	<b>7,442</b>	<b>2,492</b>	<b>11,116</b>	<b>12,429</b>
Margin (%)	32.7	33.3	37.7	38.2
Total Tax	2,168	600	2,779	3,107
Effective tax rate (%)	29.1	24.1	25.0	25.0
<b>Profit after tax</b>	<b>5,275</b>	<b>1,892</b>	<b>8,337</b>	<b>9,322</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>5,263</b>	<b>1,469</b>	<b>8,337</b>	<b>9,322</b>
YoY gr. (%)	125.1	(72.1)	467.6	11.8
Margin (%)	23.1	19.6	28.2	28.6
Extra Ord. Income / (Exp)	11	423	-	-
<b>Reported PAT</b>	<b>5,275</b>	<b>1,892</b>	<b>8,337</b>	<b>9,322</b>
YoY gr. (%)	94.5	(64.1)	340.7	11.8
Margin (%)	23.2	25.3	28.2	28.6
Other Comprehensive Income	(37)	3	-	-
Total Comprehensive Income	5,238	1,895	8,337	9,322
<b>Equity Shares O/s (m)</b>	<b>160</b>	<b>160</b>	<b>160</b>	<b>160</b>
<b>EPS (Rs)</b>	<b>32.9</b>	<b>9.2</b>	<b>52.1</b>	<b>58.3</b>

Source: Company Data, PL Research

## Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>4,768</b>	<b>5,131</b>	<b>5,831</b>	<b>6,731</b>
Tangibles	4,295	4,659	5,359	6,259
Intangibles	473	473	473	473
<b>Acc: Dep / Amortization</b>	<b>2,208</b>	<b>2,591</b>	<b>3,033</b>	<b>3,555</b>
Tangibles	1,779	2,162	2,603	3,126
Intangibles	429	429	429	429
<b>Net fixed assets</b>	<b>2,560</b>	<b>2,541</b>	<b>2,799</b>	<b>3,176</b>
Tangibles	2,517	2,497	2,755	3,133
Intangibles	43	43	43	43
Capital Work In Progress	162	177	177	177
Goodwill	-	-	-	-
Non-Current Investments	277	278	278	278
Net Deferred tax assets	657	2,276	889	994
Other Non-Current Assets	263	337	413	456
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	98	41	162	178
Trade receivables	7,894	2,461	8,654	9,542
Cash & Bank Balance	12,964	17,332	16,460	20,954
Other Current Assets	6,025	5,836	8,064	8,836
<b>Total Assets</b>	<b>32,498</b>	<b>32,453</b>	<b>39,047</b>	<b>45,861</b>
<b>Equity</b>				
Equity Share Capital	1,600	1,600	1,600	1,600
Other Equity	11,678	13,006	18,842	25,367
<b>Total Network</b>	<b>13,278</b>	<b>14,606</b>	<b>20,442</b>	<b>26,967</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	489	599	738	814
Other non current liabilities	78	90	89	98
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,695	554	2,184	2,408
Other current liabilities	16,168	16,081	15,300	15,249
<b>Total Equity &amp; Liabilities</b>	<b>32,498</b>	<b>32,453</b>	<b>39,047</b>	<b>45,861</b>

Source: Company Data, PL Research



## Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	7,454	2,069	11,116	12,429
Add. Depreciation	399	383	442	523
Add. Interest	-	-	-	-
Less Financial Other Income	781	900	1,150	1,350
Add. Other	(456)	426	-	-
Op. profit before WC changes	7,397	2,878	11,558	12,952
Net Changes-WC	(774)	3,036	(6,449)	(1,655)
Direct tax	(2,569)	(600)	(2,779)	(3,107)
<b>Net cash from Op. activities</b>	<b>4,053</b>	<b>5,314</b>	<b>2,330</b>	<b>8,190</b>
Capital expenditures	(348)	(416)	(700)	(900)
Interest / Dividend Income	661	-	-	-
Others	(191)	36	-	-
<b>Net Cash from Inv. activities</b>	<b>122</b>	<b>(380)</b>	<b>(700)</b>	<b>(900)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(2,681)	(568)	(2,501)	(2,797)
Interest paid	-	-	-	-
Others	(121)	-	-	-
<b>Net cash from Fin. activities</b>	<b>(2,802)</b>	<b>(568)</b>	<b>(2,501)</b>	<b>(2,797)</b>
<b>Net change in cash</b>	<b>1,373</b>	<b>4,367</b>	<b>(871)</b>	<b>4,493</b>
Free Cash Flow	3,700	4,898	1,630	7,290

Source: Company Data, PL Research

## Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	32.9	9.2	52.1	58.3
CEPS	35.4	11.6	54.9	61.5
BVPS	83.0	91.3	127.8	168.5
FCF	23.1	30.6	10.2	45.6
DPS	12.5	3.5	15.6	17.5
<b>Return Ratio(%)</b>				
RoCE	56.8	8.8	57.2	47.0
ROIC	(429.6)	(27.5)	706.6	303.5
RoE	44.4	10.5	47.6	39.3
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(1.0)	(1.2)	(0.8)	(0.8)
Net Working Capital (Days)	101	95	82	82
<b>Valuation(x)</b>				
PER	44.3	158.6	27.9	25.0
P/B	17.5	16.0	11.4	8.6
P/CEPS	41.1	125.8	26.5	23.7
EV/EBITDA	30.8	133.8	20.7	18.2
EV/Sales	9.7	28.8	7.3	6.5
Dividend Yield (%)	0.9	0.2	1.1	1.2

Source: Company Data, PL Research

## Quarterly Financials (Rs m)

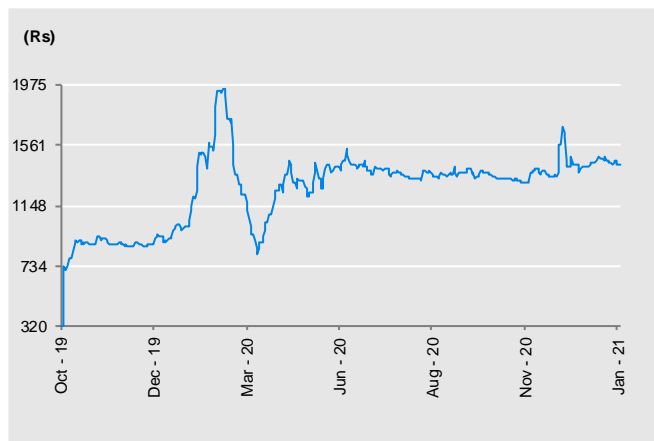
Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
<b>Net Revenue</b>	<b>5,869</b>	<b>1,313</b>	<b>886</b>	<b>2,244</b>
YoY gr. (%)	17.9	(71.4)	(82.7)	(68.7)
Raw Material Expenses	252	87	46	155
Gross Profit	5,617	1,227	839	2,089
Margin (%)	95.7	93.4	94.8	93.1
<b>EBITDA</b>	<b>2,019</b>	<b>(439)</b>	<b>(56)</b>	<b>946</b>
YoY gr. (%)	185.9	NA	NA	NA
Margin (%)	34.4	NA	NA	42.2
Depreciation / Depletion	104	90	89	96
<b>EBIT</b>	<b>1,915</b>	<b>(529)</b>	<b>(145)</b>	<b>850</b>
Margin (%)	32.6	NA	NA	37.9
Net Interest	29	17	13	14
Other Income	199	251	202	209
<b>Profit before Tax</b>	<b>2,086</b>	<b>(294)</b>	<b>43</b>	<b>1,045</b>
Margin (%)	35.5	NA	4.9	46.6
Total Tax	584	(48)	140	263
Effective tax rate (%)	28.0	16.3	325.8	25.2
<b>Profit after Tax</b>	<b>1,502</b>	<b>(246)</b>	<b>(97)</b>	<b>782</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>1,506</b>	<b>(246)</b>	<b>(97)</b>	<b>782</b>
YoY gr. (%)	223.3	NA	NA	NA
Margin (%)	25.7	NA	NA	34.8
Extra Ord. Income / (Exp)	-	-	424	(1)
<b>Reported PAT</b>	<b>1,506</b>	<b>(246)</b>	<b>326</b>	<b>781</b>
YoY gr. (%)	223.3	NA	NA	NA
Margin (%)	25.7	NA	36.9	34.8
Other Comprehensive Income	(7)	(6)	15	-
<b>Total Comprehensive Income</b>	<b>1,499</b>	<b>(252)</b>	<b>341</b>	<b>-</b>
Avg. Shares O/s (m)	160	160	160	160
<b>EPS (Rs)</b>	<b>9.4</b>	<b>(1.5)</b>	<b>(0.6)</b>	<b>4.9</b>

Source: Company Data, PL Research



## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Jan-21	BUY	1,629	1,472
2	13-Nov-20	BUY	1,629	1,380
3	09-Oct-20	BUY	1,647	1,356
4	14-Sep-20	BUY	1,645	1,368
5	11-Jul-20	Accumulate	1,495	1,401
6	16-Apr-20	BUY	1,428	1,292
7	24-Mar-20	BUY	1,656	858
8	14-Feb-20	BUY	1,656	1,580

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Accumulate	210	171
3	Indian Railway Catering and Tourism Corporation	BUY	1,629	1,472
4	Inox Leisure	BUY	393	346
5	Music Broadcast	Hold	24	23
6	Navneet Education	Accumulate	93	76
7	PVR	BUY	1,673	1,475
8	S Chand and Company	BUY	86	70
9	V.I.P. Industries	Accumulate	384	378
10	Zee Entertainment Enterprises	BUY	290	231

## PL's Recommendation Nomenclature (Absolute Performance)

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly



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