

November 8, 2023

Q2FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		HOLD	
Target Price	709		700	
Sales (Rs.m)	41,826	45,745	42,095	46,044
% Chng.	(0.6)	(0.6)		
EBITDA (Rs.m)	14,931	16,230	14,825	16,033
% Chng.	0.7	1.2		
EPS (Rs.)	14.8	15.7	14.7	15.6
% Chng.	0.7	1.2		

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	35,415	41,826	45,745	48,889
EBITDA (Rs. m)	12,762	14,931	16,230	17,257
Margin (%)	36.0	35.7	35.5	35.3
PAT (Rs. m)	9,787	11,859	12,599	13,309
EPS (Rs.)	12.2	14.8	15.7	16.6
Gr. (%)	47.5	21.2	6.2	5.6
DPS (Rs.)	5.5	5.7	6.3	6.7
Yield (%)	0.8	0.8	0.9	1.0
RoE (%)	44.9	42.1	35.6	30.8
RoCE (%)	56.0	50.8	43.9	38.2
EV/Sales (x)	14.7	12.4	11.1	10.2
EV/EBITDA (x)	40.9	34.7	31.4	29.0
PE (x)	55.3	45.7	43.0	40.7
P/BV (x)	21.8	17.1	13.8	11.5

Key Data

INIR.BO | IRCTC IN

52-W High / Low	Rs.771 / Rs.557
Sensex / Nifty	64,976 / 19,444
Market Cap	Rs.542bn/ \$ 6,503m
Shares Outstanding	800m
3M Avg. Daily Value	Rs.1681.35m

Shareholding Pattern (%)

Promoter's	62.40
Foreign	7.11
Domestic Institution	10.53
Public & Others	19.97
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(6.0)	7.8	(11.4)
Relative	(4.5)	2.4	(16.6)

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Indian Railway Catering and Tourism Corporation (IRCTC IN)

Rating: HOLD | CMP: Rs677 | TP: Rs709

Optionality can emerge in catering business

Quick Pointers:

- ~116mn tickets booked, that yielded convenience fee revenue of ~Rs2.2bn.

We re-align our EBIT margin assumptions for catering division resulting in a marginal EPS upgrade of ~1% over FY24-FY26E. Indian Railway Catering & Tourism Corporation (IRCTC IN) reported better than expected operational performance with EBITDA margin of 36.8% (PLe 34.0%) led by a beat in catering segment. We believe catering division has earnings optionality arising from 1) tie-up with Zomato 2) managing trains/coaches booked on full tariff rate (FTR) 3) ~200 contracts that are in pipeline and 4) expected onetime gain arising from increase in license fee which has been pending as the matter is sub-judice. We expect PAT CAGR of 11% over FY23-FY26E given 1) traction in non-convenience revenue 2) rail neer expansion and 3) healthy growth in catering segment. However, we believe valuations at 43x/41x for our FY25E/FY26E EPS estimates price in most of these benefits and thus we maintain our 'HOLD' rating on the stock with a TP of Rs709 (45x FY25E EPS; no change in target multiple).

Revenue increases 23.5% YoY: Revenues increased 23.5% YoY to Rs9,953mn (PLe Rs10,611mn). Revenue from State Teertha / Catering / Rail Neer / Tourism / Internet Ticketing was up 118.9% YoY/29.0% YoY/ 3.8% YoY/ 39.0% YoY/9.1% YoY to Rs648mn/Rs4,315mn/Rs780mn/Rs966mn/Rs3,275mn respectively. All the segments were EBIT positive except for tourism.

EBITDA/adjusted PAT jumps 20.2%/30.4% YoY respectively: EBITDA increased 20.2% YoY to Rs3,666mn (PLe Rs3,610mn) with a margin of 36.8% (PLe of 34.0%). Adjusted PAT stood at Rs2,947mn (PLe of Rs2,847mn) up by 30.4% YoY aided by higher other income of Rs471mn, up 81.1% YoY. Adjusted PAT margin was 29.6% (PLe 26.8%) for 2QFY24.

Con-call highlights: 1) IRCTC would get a fee of Rs40 per order pertaining to its tie-up with Zomato while railway share would be Rs16. 2) ~100 trains were booked on FTR basis in FY23. 3) For 2QFY24, agent business/payment gateway/loyalty program/marketing/l-pay revenues stood at Rs440mn / Rs170mn / Rs124mn / Rs73mn / Rs196mn respectively. 4) 11 pair of Vande Bharat trains and 18 new static catering units have been added in 2QFY24. 5) 200 catering contracts are in pipeline. 6) Share of UPI bookings was ~38% in 2QFY24. 7) 54mn AC tickets were booked in 2QFY24. 8) IRCTC catered to 891 pairs of trains pre-COVID and the current count is 1,284 trains. 9) Tejas revenue was Rs340mn for 2QFY24. 10) IRCTC produces on an average 1.2mn liters of Rail Neer bottles per day, current capacity being 1.6mn liters per day. 11) A Rail Neer plant was commissioned in Kota in 3QFY24, and 2 more plants are scheduled to be commissioned in 3QFY24.



Exhibit 1: Q2FY24 Result Overview (Rs mn)

Y/e March	2QFY24	2QFY23	YoY gr.	1QFY24	QoQ gr.	1HFY24	1HFY23	YoY gr.
Net sales	9,953	8,058	23.5%	10,018	-0.6%	19,971	16,584	20.4%
Total raw material cost	553	445	24.2%	694	-20.3%	1,247	941	32.5%
As a % of sales	5.6%	5.5%		6.9%		6.2%	5.7%	
Expenses of catering	2,914	2,351	24.0%	3,329	-12.5%	6,242	4,966	25.7%
As a % of sales	29.3%	29.2%		33.2%		31.3%	29.9%	
Expenses of tourism	1,406	864	62.9%	1,101	27.7%	2,508	1,768	41.9%
As a % of sales	14.1%	10.7%		11.0%		12.6%	10.7%	
Manufacturing & direct expenses	404	370	9.0%	380	6.1%	784	804	-2.6%
As a % of sales	4.1%	4.6%		3.8%		3.9%	4.9%	
Employee expenses	638	664	-3.9%	663	-3.7%	1,301	1,217	6.9%
As a % of sales	6.4%	8.2%		6.6%		6.5%	7.3%	
Other expenses	373	316	18.1%	421	-11.5%	794	629	26.3%
As a % of sales	3.7%	3.9%		4.2%		4.0%	3.8%	
EBITDA	3,666	3,049	20.2%	3,430	6.9%	7,095	6,258	13.4%
EBITDA margin	36.8%	37.8%		34.2%		35.5%	37.7%	
Depreciation	140	186	-24.6%	137	2.2%	277	321	-13.8%
EBIT	3,526	2,863	23.1%	3,293	7.1%	6,819	5,937	14.9%
EBIT margin	35.4%	35.5%		32.9%		34.1%	35.8%	
Interest cost	44	48	-8.6%	41	7.0%	85	73	16.8%
Other income	471	260	81.1%	392	20.0%	863	504	71.2%
PBT	3,952	3,075	28.5%	3,644	8.5%	7,596	6,368	19.3%
Exceptional items	-	-	NM	(519)	NM	(519)	-	NM
Tax expenses	1,005	814	23.5%	803	25.3%	1,808	1,652	9.4%
Tax rate	25.4%	26.5%		25.7%		25.5%	25.9%	
PAT	2,947	2,260	30.4%	2,322	26.9%	5,269	4,716	11.7%
PAT margin	29.6%	28.1%		23.2%		26.4%	28.4%	
EPS (Rs)	3.7	2.8	30.4%	2.9	26.9%	6.6	5.9	11.8%
Adj. PAT	2,947	2,260	30.4%	2,841	3.7%	5,788	4,716	22.7%

Source: Company, PL

Exhibit 2: Segmental Breakup (Rs mn)

Y/e March	2QFY24	2QFY23	YoY gr.	1QFY24	QoQ gr.
Catering					
Revenue	4,315	3,344	29.0%	4,771	-9.5%
As a % of sales	43.2%	41.3%		47.4%	
EBIT	743	354	109.6%	697	6.5%
EBIT margin	17.2%	10.6%		14.6%	
Internet ticketing					
Revenue	3,275	3,003	9.1%	2,901	12.9%
As a % of sales	32.8%	37.1%		28.8%	
EBIT	2,742	2,528	8.5%	2,400	14.2%
EBIT margin	83.7%	84.2%		82.7%	
Tourism					
Revenue	966	695	39.0%	1,306	-26.0%
As a % of sales	9.7%	8.6%		13.0%	
EBIT	(56)	(99)	NM	(401)	NM
EBIT margin	-5.8%	-14.2%		-30.7%	
State Teertha					
Revenue	648	296	118.9%	119	443.9%
As a % of sales	6.5%	3.7%		1.2%	
EBIT	114	44	158.3%	20	472.3%
EBIT margin	17.6%	14.9%		16.7%	
Rail Neer					
Revenue	780	751	3.8%	959	-18.7%
As a % of sales	7.8%	9.3%		9.5%	
EBIT	97	54	79.8%	121	-20.1%
EBIT margin	12.4%	7.2%		12.6%	
Total revenues	9,984	8,089	23.4%	10,056	-0.7%

Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	35,415	41,826	45,745	48,889
YoY gr. (%)	88.5	18.1	9.4	6.9
Cost of Goods Sold	1,950	2,770	3,079	3,236
Gross Profit	33,464	39,057	42,667	45,653
Margin (%)	94.5	93.4	93.3	93.4
Employee Cost	2,455	2,719	2,973	3,227
Other Expenses	1,627	1,715	1,876	2,004
EBITDA	12,762	14,931	16,230	17,257
YoY gr. (%)	46.1	17.0	8.7	6.3
Margin (%)	36.0	35.7	35.5	35.3
Depreciation and Amortization	537	602	712	772
EBIT	12,225	14,329	15,518	16,485
Margin (%)	34.5	34.3	33.9	33.7
Net Interest	161	188	206	220
Other Income	1,204	1,600	1,600	1,600
Profit Before Tax	13,540	15,221	16,912	17,865
Margin (%)	38.2	36.4	37.0	36.5
Total Tax	3,481	3,881	4,313	4,555
Effective tax rate (%)	25.7	25.5	25.5	25.5
Profit after tax	10,059	11,340	12,599	13,309
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	9,787	11,859	12,599	13,309
YoY gr. (%)	47.5	21.2	6.2	5.6
Margin (%)	27.6	28.4	27.5	27.2
Extra Ord. Income / (Exp)	272	(519)	-	-
Reported PAT	10,059	11,340	12,599	13,309
YoY gr. (%)	52.5	12.7	11.1	5.6
Margin (%)	28.4	27.1	27.5	27.2
Other Comprehensive Income	22	6	-	-
Total Comprehensive Income	10,081	11,346	12,599	13,309
Equity Shares O/s (m)	800	800	800	800
EPS (Rs)	12.2	14.8	15.7	16.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	5,821	7,001	8,101	8,701
Tangibles	5,688	6,868	7,968	8,568
Intangibles	133	133	133	133
Acc: Dep / Amortization	2,578	3,180	3,892	4,665
Tangibles	2,472	3,074	3,786	4,559
Intangibles	106	106	106	106
Net fixed assets	3,243	3,821	4,209	4,037
Tangibles	3,216	3,794	4,182	4,010
Intangibles	27	27	27	27
Capital Work In Progress	338	338	338	338
Goodwill	-	-	-	-
Non-Current Investments	267	267	267	267
Net Deferred tax assets	1,305	1,338	1,353	1,429
Other Non-Current Assets	2,207	1,255	1,144	1,222
Current Assets				
Investments	-	-	-	-
Inventories	96	229	251	268
Trade receivables	11,429	13,178	13,786	14,734
Cash & Bank Balance	19,337	23,639	31,735	41,090
Other Current Assets	10,576	10,825	11,198	10,892
Total Assets	50,888	56,898	66,339	76,232
Equity				
Equity Share Capital	1,600	1,600	1,600	1,600
Other Equity	23,184	29,994	37,553	45,539
Total Network	24,784	31,594	39,153	47,139
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	1,054	837	686	733
Other non current liabilities	167	125	137	147
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	8,522	9,740	10,653	11,385
Other current liabilities	15,392	13,506	14,520	15,500
Total Equity & Liabilities	50,888	56,898	66,339	76,232

Source: Company Data, PL Research



Indian Railway Catering and Tourism Corporation

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	13,540	15,740	16,912	17,865
Add. Depreciation	537	602	712	772
Add. Interest	-	-	-	-
Less Financial Other Income	1,204	1,600	1,600	1,600
Add. Other	(776)	(513)	-	-
Op. profit before WC changes	13,301	15,829	17,624	18,637
Net Changes-WC	(910)	(1,930)	924	1,198
Direct tax	(4,290)	(3,881)	(4,313)	(4,555)
Net cash from Op. activities	8,101	10,018	14,235	15,279
Capital expenditures	(674)	(1,180)	(1,100)	(600)
Interest / Dividend Income	625	-	-	-
Others	(3,102)	-	-	-
Net Cash from Invt. activities	(3,151)	(1,180)	(1,100)	(600)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(4,000)	(4,536)	(5,040)	(5,324)
Interest paid	-	-	-	-
Others	(343)	-	-	-
Net cash from Fin. activities	(4,343)	(4,536)	(5,040)	(5,324)
Net change in cash	606	4,302	8,095	9,355
Free Cash Flow	7,426	8,838	13,135	14,679

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	12.2	14.8	15.7	16.6
CEPS	12.9	15.6	16.6	17.6
BVPS	31.0	39.5	48.9	58.9
FCF	9.3	11.0	16.4	18.3
DPS	5.5	5.7	6.3	6.7
Return Ratio(%)				
RoCE	56.0	50.8	43.9	38.2
ROIC	367.1	234.6	317.7	597.3
RoE	44.9	42.1	35.6	30.8
Balance Sheet				
Net Debt : Equity (x)	(0.8)	(0.7)	(0.8)	(0.9)
Net Working Capital (Days)	31	32	27	27
Valuation(x)				
PER	55.3	45.7	43.0	40.7
P/B	21.8	17.1	13.8	11.5
P/CEPS	52.5	43.5	40.7	38.5
EV/EBITDA	40.9	34.7	31.4	29.0
EV/Sales	14.7	12.4	11.1	10.2
Dividend Yield (%)	0.8	0.8	0.9	1.0

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	9,181	9,650	10,018	9,953
YoY gr. (%)	69.9	39.7	17.5	23.5
Raw Material Expenses	527	482	694	553
Gross Profit	8,654	9,168	9,324	9,400
Margin (%)	94.3	95.0	93.1	94.4
EBITDA	3,258	3,246	3,430	3,666
YoY gr. (%)	16.7	16.5	6.9	20.2
Margin (%)	35.5	33.6	34.2	36.8
Depreciation / Depletion	104	112	137	140
EBIT	3,154	3,134	3,293	3,526
Margin (%)	34.4	32.5	32.9	35.4
Net Interest	49	39	41	44
Other Income	308	393	392	471
Profit before Tax	3,413	3,488	3,644	3,952
Margin (%)	37.2	36.1	36.4	39.7
Total Tax	871	958	803	1,005
Effective tax rate (%)	25.5	27.5	22.0	25.4
Profit after Tax	2,542	2,530	2,841	2,947
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,542	2,530	2,841	2,947
YoY gr. (%)	21.7	16.1	15.7	30.4
Margin (%)	27.7	26.2	28.4	29.6
Extra Ord. Income / (Exp)	14	258	(519)	-
Reported PAT	2,555	2,788	2,322	2,947
YoY gr. (%)	22.4	30.4	(5.4)	30.4
Margin (%)	27.8	28.9	23.2	29.6
Other Comprehensive Income	3	(4)	(12)	18
Total Comprehensive Income	2,558	2,784	2,310	2,965
Avg. Shares O/s (m)	800	800	800	800
EPS (Rs)	3.2	3.2	3.6	3.7

Source: Company Data, PL Research



Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Oct-23	Hold	700	720
2	11-Aug-23	Hold	700	646
3	07-Jul-23	Hold	679	632
4	31-May-23	Hold	679	644
5	11-Apr-23	Hold	672	582
6	10-Feb-23	Hold	694	644
7	06-Jan-23	Hold	679	636
8	15-Nov-22	Hold	679	741

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	650	560
2	Entertainment Network (India)	Hold	180	126
3	Indian Railway Catering and Tourism Corporation	Hold	700	720
4	Inox Leisure	BUY	587	502
5	InterGlobe Aviation	BUY	2,816	2,509
6	Lemon Tree Hotels	BUY	140	119
7	Music Broadcast	Hold	18	11
8	Navneet Education	BUY	195	140
9	Nazara Technologies	Hold	836	834
10	PVR Inox	BUY	1,984	1,745
11	S Chand and Company	BUY	338	280
12	Safari Industries (India)	BUY	4,752	4,232
13	V.I.P. Industries	Hold	689	613
14	Zee Entertainment Enterprises	BUY	314	262

PL's Recommendation Nomenclature (Absolute Performance)

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



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