

September 14, 2020

## Q1FY21 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	BUY		ACCUMULATE	
Target Price	1,645		1,495	
Sales (Rs. m)	8,825	28,919	13,196	30,014
% Chng.	(33.1)	(3.6)		
EBITDA (Rs. m)	864	10,487	3,373	10,748
% Chng.	(74.4)	(2.4)		
EPS (Rs.)	6.4	51.2	18.1	52.4
% Chng.	(64.6)	(2.4)		

### Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	22,755	8,825	28,919	32,054
EBITDA (Rs. m)	7,134	864	10,487	11,714
Margin (%)	31.4	9.8	36.3	36.5
PAT (Rs. m)	5,263	1,026	8,188	9,211
EPS (Rs.)	32.9	6.4	51.2	57.6
Gr. (%)	125.1	(80.5)	698.2	12.5
DPS (Rs.)	12.5	1.9	15.4	17.3
Yield (%)	0.9	0.1	1.1	1.3
RoE (%)	44.4	7.5	48.6	40.1
RoCE (%)	56.8	3.1	58.3	47.9
EV/Sales (x)	9.0	23.3	7.1	6.3
EV/EBITDA (x)	28.9	238.3	19.6	17.2
PE (x)	41.6	213.3	26.7	23.8
P/BV (x)	16.5	15.6	11.1	8.4

### Key Data

INIR.BO | IRCTC IN

52-W High / Low	Rs.1,995 / Rs.625
Sensex / Nifty	38,757 / 11,440
Market Cap	Rs.219bn/ \$ 2,978m
Shares Outstanding	160m
3M Avg. Daily Value	Rs.2324.36m

### Shareholding Pattern (%)

Promoter's	87.40
Foreign	0.77
Domestic Institution	1.35
Public & Others	10.48
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(0.1)	11.4	-
Relative	(2.3)	(2.0)	-

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## Perfect play on unlocking theme

### Quick Pointers:

- Convenience fee on internet ticketing stood at Rs156mn. Total 230 special trains were operational during 1QFY21. 80 additional trains have begun operations from Sep 12, 2020.
- Catering licensee contracts have been extended for the period under disruption due to suspension of rail services & an option has been provided to claim refund of advance fees paid.

**IRCTC's performance was marred by COVID-19 during 1QFY21 with EBITDA/PAT loss of Rs439mn (PLe of Rs522mn)/Rs246mn (PLe of Rs308mn) respectively. With gradual relaxation in lockdown restrictions (80 additional trains have resumed operations from Sep 12, in addition to the 230 trains which are already operational), we expect staggered resumption of rail services in next six months. While FY21E is expected to be a complete wash out (online bookings to fall by 74.3% YoY to 77.5mn) we expect sharp bounce back in FY22E as 1) capacity expansion of Rail Neer (bottling capacity to rise to ~586mn in FY22E) 2) impact of price hike taken in mobile/static catering by ~70%/60% respectively and 3) revenue boost from levy of service charge will completely play out by then. Thus, we keep our FY22/FY23 EPS estimates broadly intact (a minor cut of 2%/5% respectively) and expect sales/PAT CAGR of 12%/20% respectively over next 3 years.**

**We believe IRCTC is a perfect play on the unlocking theme as lockdown restrictions are gradually being relaxed. Valuations at 27x FY22E and 24x FY23E look challenging but will sustain given 1) monopolistic nature of the business 2) clear growth traction (20% PAT CAGR over 3 years) and 3) strong return ratios & healthy BS. We thus upgrade our rating to BUY (earlier ACCUMULATE) with a TP of Rs1,645 and raise our target P/E multiple to 28.5x (earlier 26.5x) as we roll forward to FY23E estimates.**

**Top-line falters due to suspension of train services:** Revenues declined 71.4% YoY to Rs1,313mn (PLe of Rs991mn) as railway operations were suspended due to COVID-19. Revenues from internet ticketing declined 57.1% YoY to Rs352mn (convenience fee revenue of Rs156mn). Catering revenues declined 66.9% YoY to Rs899mn. IRCTC provided 17mn meals (Rs35/50 per meal in May & June) on the Shramik/Special trains that were operational in 1QFY21. Rail Neer sales declined 94.4% YoY to Rs33mn as production was suspended for 45 days in all the plants due to lockdown. Tourism & State Teertha revenues declined 93.8% YoY to Rs30mn.

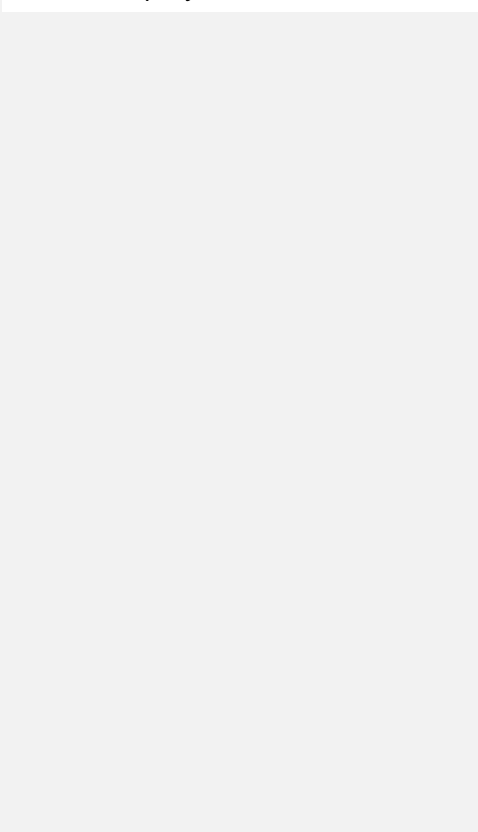
**EBITDA loss stood at Rs439mn:** IRCTC reported an EBITDA loss of Rs439mn (PLe loss of Rs522mn) as compared to EBITDA profit of Rs1,034mn in 1QFY20. Except for Internet Ticketing which reported EBIT of Rs92mn (has low fixed overheads), the other 3 segments viz; Catering, Rail Neer and Tourism & State Teertha reported EBIT loss of Rs487mn/Rs5mn/Rs80mn respectively due to limited absorption of fixed cost in lockdown.



## Exhibit 1: Q1FY21 Result Overview (Rs mn)

Y/e March	Q1FY21	Q1FY20	YoY gr.	Q4FY20	QoQ gr.
<b>Net sales</b>	<b>1,313</b>	<b>4,592</b>	<b>-71.4%</b>	<b>5,869</b>	<b>-77.6%</b>
Total raw material cost	87	404	-78.6%	252	-65.6%
<i>As a % of sales</i>	<i>6.6%</i>	<i>8.8%</i>		<i>4.3%</i>	
Expenses of catering	689	1,752	-60.7%	1,456	-52.7%
<i>As a % of sales</i>	<i>52.4%</i>	<i>38.2%</i>		<i>24.8%</i>	
Expenses of tourism	25	344	-92.8%	773	-96.8%
<i>As a % of sales</i>	<i>1.9%</i>	<i>7.5%</i>		<i>13.2%</i>	
Manufacturing & direct expenses	125	239	-47.6%	270	-53.7%
<i>As a % of sales</i>	<i>9.5%</i>	<i>5.2%</i>		<i>4.6%</i>	
Employee expenses	496	555	-10.7%	685	-27.6%
<i>As a % of sales</i>	<i>37.8%</i>	<i>12.1%</i>		<i>11.7%</i>	
Other expenses	331	265	25.2%	415	-20.2%
<i>As a % of sales</i>	<i>25.2%</i>	<i>5.8%</i>		<i>7.1%</i>	
<b>EBITDA</b>	<b>(439)</b>	<b>1,034</b>	<b>NM</b>	<b>2,019</b>	<b>NM</b>
<i>EBITDA margin</i>	<i>NM</i>	<i>22.5%</i>		<i>34.4%</i>	
Depreciation	90	85	6.0%	104	-13.4%
<b>EBIT</b>	<b>(529)</b>	<b>949</b>	<b>NM</b>	<b>1,915</b>	<b>NM</b>
<i>EBIT margin</i>	<i>NM</i>	<i>20.7%</i>		<i>32.6%</i>	
Interest cost	17	12	39.2%	29	-41.5%
Other income	251	173	45.0%	199	26.1%
<b>PBT</b>	<b>(294)</b>	<b>1,110</b>	<b>NM</b>	<b>2,086</b>	<b>NM</b>
Exceptional items	0	7	-98.5%	4	-97.4%
Tax expenses	(48)	394	NM	584	NM
<i>Tax rate</i>	<i>NM</i>	<i>35.5%</i>		<i>28.0%</i>	
<b>PAT</b>	<b>(246)</b>	<b>723</b>	<b>NM</b>	<b>1,506</b>	<b>NM</b>
<i>PAT margin</i>	<i>NM</i>	<i>15.8%</i>		<i>25.7%</i>	
<b>EPS (Rs)</b>	<b>(1.5)</b>	<b>4.5</b>	<b>NM</b>	<b>9.4</b>	<b>NM</b>
<b>Adj. PAT</b>	<b>(246)</b>	<b>716</b>	<b>NM</b>	<b>1,502</b>	<b>NM</b>

Source: Company, PL

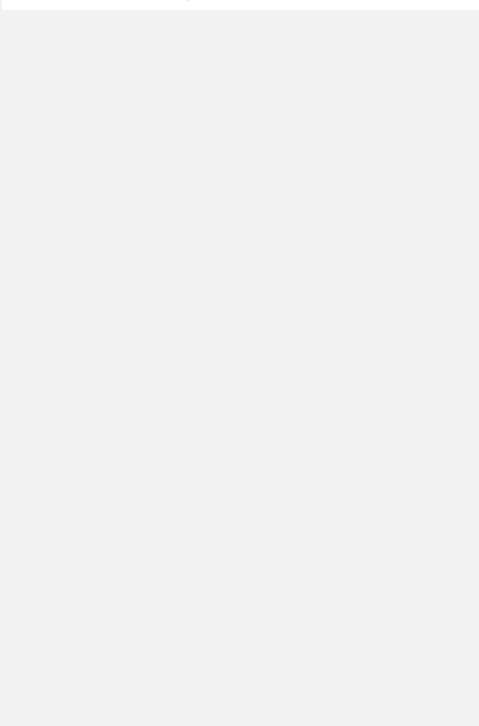




## Exhibit 2: Segmental Breakup (Rs mn)

Y/e March	Q1FY21	Q1FY20	YoY gr.	Q4FY20	QoQ gr.
<b>Catering</b>					
Revenue	899	2,720	-66.9%	2,363	-62.0%
<i>As a % of sales</i>	<i>68.5%</i>	<i>59.2%</i>		<i>40.3%</i>	
EBIT	(487)	310	NM	292	NM
<i>EBIT margin</i>	<i>NM</i>	<i>11.4%</i>		<i>12.4%</i>	
<b>Internet ticketing</b>					
Revenue	352	821	-57.1%	1,936	-81.8%
<i>As a % of sales</i>	<i>26.8%</i>	<i>17.9%</i>		<i>33.0%</i>	
EBIT	92	550	-83.3%	1,545	-94.1%
<i>EBIT margin</i>	<i>26.0%</i>	<i>67.0%</i>		<i>79.8%</i>	
<b>Tourism</b>					
Revenue	30	476	-93.8%	1,017	-97.1%
<i>As a % of sales</i>	<i>2.2%</i>	<i>10.4%</i>		<i>17.3%</i>	
EBIT	(80)	11	NM	(4)	NM
<i>EBIT margin</i>	<i>NM</i>	<i>2.3%</i>		<i>NM</i>	
<b>State Teertha</b>					
Revenue	-	-	NM	42	-100.0%
<i>As a % of sales</i>	<i>0.0%</i>	<i>0.0%</i>		<i>0.7%</i>	
EBIT	-	(6)	NM	4	-100.0%
<i>EBIT margin</i>	<i>NM</i>	<i>NM</i>		<i>10.0%</i>	
<b>Rail Neer</b>					
Revenue	33	576	-94.4%	511	-93.6%
<i>As a % of sales</i>	<i>2.5%</i>	<i>12.5%</i>		<i>8.7%</i>	
EBIT	(5)	120	NM	156	NM
<i>EBIT margin</i>	<i>NM</i>	<i>20.8%</i>		<i>30.5%</i>	
<b>Total revenues</b>	<b>1,313</b>	<b>4,592</b>	<b>-71.4%</b>	<b>5,869</b>	<b>-77.6%</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>8,825</b>	<b>28,919</b>	<b>32,054</b>
YoY gr. (%)	21.7	(61.2)	227.7	10.8
Cost of Goods Sold	1,378	545	2,113	2,517
Gross Profit	21,377	8,279	26,806	29,537
Margin (%)	93.9	93.8	92.7	92.1
Employee Cost	2,440	2,365	2,574	2,821
Other Expenses	1,240	1,235	1,475	1,539
<b>EBITDA</b>	<b>7,134</b>	<b>864</b>	<b>10,487</b>	<b>11,714</b>
YoY gr. (%)	86.2	(87.9)	1,114.4	11.7
Margin (%)	31.4	9.8	36.3	36.5
Depreciation and Amortization	399	443	668	731
<b>EBIT</b>	<b>6,735</b>	<b>421</b>	<b>9,819</b>	<b>10,983</b>
Margin (%)	29.6	4.8	34.0	34.3
Net Interest	73	53	52	51
Other Income	781	1,000	1,150	1,350
<b>Profit Before Tax</b>	<b>7,442</b>	<b>1,368</b>	<b>10,917</b>	<b>12,282</b>
Margin (%)	32.7	15.5	37.8	38.3
Total Tax	2,168	342	2,729	3,070
Effective tax rate (%)	29.1	25.0	25.0	25.0
<b>Profit after tax</b>	<b>5,275</b>	<b>1,026</b>	<b>8,188</b>	<b>9,211</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>5,263</b>	<b>1,026</b>	<b>8,188</b>	<b>9,211</b>
YoY gr. (%)	125.1	(80.5)	698.2	12.5
Margin (%)	23.1	11.6	28.3	28.7
Extra Ord. Income / (Exp)	11	0	-	-
<b>Reported PAT</b>	<b>5,275</b>	<b>1,026</b>	<b>8,188</b>	<b>9,211</b>
YoY gr. (%)	94.5	(80.5)	698.1	12.5
Margin (%)	23.2	11.6	28.3	28.7
Other Comprehensive Income	(37)	(6)	-	-
Total Comprehensive Income	5,238	1,020	8,188	9,211
<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>6.4</b>	<b>51.2</b>	<b>57.6</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>4,977</b>	<b>5,877</b>	<b>8,377</b>	<b>9,077</b>
Tangibles	4,537	5,437	7,937	8,637
Intangibles	440	440	440	440
<b>Acc: Dep / Amortization</b>	<b>2,417</b>	<b>2,860</b>	<b>3,527</b>	<b>4,258</b>
Tangibles	2,020	2,463	3,131	3,862
Intangibles	396	396	396	396
<b>Net fixed assets</b>	<b>2,560</b>	<b>3,017</b>	<b>4,850</b>	<b>4,819</b>
Tangibles	2,517	2,974	4,806	4,776
Intangibles	43	43	43	43
Capital Work In Progress	162	162	162	162
Goodwill	-	-	-	-
Non-Current Investments	277	277	277	277
Net Deferred tax assets	657	287	873	983
Other Non-Current Assets	263	194	405	449
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	98	48	158	176
Trade receivables	7,894	2,660	8,478	9,397
Cash & Bank Balance	12,964	13,108	13,483	17,921
Other Current Assets	6,025	4,577	8,136	9,344
<b>Total Assets</b>	<b>32,498</b>	<b>25,212</b>	<b>37,949</b>	<b>44,776</b>
<b>Equity</b>				
Equity Share Capital	1,600	1,600	1,600	1,600
Other Equity	11,678	12,390	18,121	24,569
<b>Total Network</b>	<b>13,278</b>	<b>13,990</b>	<b>19,721</b>	<b>26,169</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	489	353	723	801
Other non current liabilities	78	53	87	96
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,695	653	2,139	2,371
Other current liabilities	16,168	9,987	14,990	15,017
<b>Total Equity &amp; Liabilities</b>	<b>32,498</b>	<b>25,212</b>	<b>37,949</b>	<b>44,776</b>

Source: Company Data, PL Research



## Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	7,454	1,368	10,917	12,282
Add. Depreciation	399	443	668	731
Add. Interest	-	-	-	-
Less Financial Other Income	781	1,000	1,150	1,350
Add. Other	(456)	(6)	-	-
Op. profit before WC changes	7,397	1,804	11,585	13,012
Net Changes-WC	(774)	(111)	(3,524)	(2,041)
Direct tax	(2,569)	(342)	(2,729)	(3,070)
<b>Net cash from Op. activities</b>	<b>4,053</b>	<b>1,351</b>	<b>5,332</b>	<b>7,901</b>
Capital expenditures	(348)	(900)	(2,500)	(700)
Interest / Dividend Income	661	-	-	-
Others	(191)	-	-	-
<b>Net Cash from Inv. activities</b>	<b>122</b>	<b>(900)</b>	<b>(2,500)</b>	<b>(700)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(2,681)	(308)	(2,456)	(2,763)
Interest paid	-	-	-	-
Others	(121)	-	-	-
<b>Net cash from Fin. activities</b>	<b>(2,802)</b>	<b>(308)</b>	<b>(2,456)</b>	<b>(2,763)</b>
<b>Net change in cash</b>	<b>1,373</b>	<b>143</b>	<b>375</b>	<b>4,438</b>
Free Cash Flow	3,700	451	2,832	7,201

Source: Company Data, PL Research

## Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	32.9	6.4	51.2	57.6
CEPS	35.4	9.2	55.3	62.1
BVPS	83.0	87.4	123.3	163.6
FCF	23.1	2.8	17.7	45.0
DPS	12.5	1.9	15.4	17.3
<b>Return Ratio(%)</b>				
RoCE	56.8	3.1	58.3	47.9
ROIC	(429.6)	60.0	218.3	163.9
RoE	44.4	7.5	48.6	40.1
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(1.0)	(0.9)	(0.7)	(0.7)
Net Working Capital (Days)	101	85	82	82
<b>Valuation(x)</b>				
PER	41.6	213.3	26.7	23.8
P/B	16.5	15.6	11.1	8.4
P/CEPS	38.6	149.0	24.7	22.0
EV/EBITDA	28.9	238.3	19.6	17.2
EV/Sales	9.0	23.3	7.1	6.3
Dividend Yield (%)	0.9	0.1	1.1	1.3

Source: Company Data, PL Research

## Quarterly Financials (Rs m)

Y/e Mar	Q2FY20	Q3FY20	Q4FY20	Q1FY21
<b>Net Revenue</b>	<b>5,134</b>	<b>7,160</b>	<b>5,869</b>	<b>1,313</b>
YoY gr. (%)	-	64.6	17.9	(71.4)
Raw Material Expenses	361	362	252	87
Gross Profit	4,773	6,798	5,617	1,227
Margin (%)	93.0	94.9	95.7	93.4
<b>EBITDA</b>	<b>1,424</b>	<b>2,657</b>	<b>2,019</b>	<b>(439)</b>
YoY gr. (%)	-	168.7	185.9	NA
Margin (%)	27.7	37.1	34.4	NA
Depreciation / Depletion	88	123	104	90
<b>EBIT</b>	<b>1,336</b>	<b>2,534</b>	<b>1,915</b>	<b>(529)</b>
Margin (%)	26.0	35.4	32.6	NA
Net Interest	12	20	29	17
Other Income	218	190	199	251
<b>Profit before Tax</b>	<b>1,542</b>	<b>2,704</b>	<b>2,086</b>	<b>(294)</b>
Margin (%)	30.0	37.8	35.5	NA
Total Tax	544	646	584	(48)
Effective tax rate (%)	35.3	23.9	28.0	NA
<b>Profit after Tax</b>	<b>998</b>	<b>2,058</b>	<b>1,502</b>	<b>(246)</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>998</b>	<b>2,058</b>	<b>1,506</b>	<b>(246)</b>
YoY gr. (%)	-	179.6	223.3	NA
Margin (%)	19.4	28.7	25.7	NA
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>998</b>	<b>2,058</b>	<b>1,506</b>	<b>(246)</b>
YoY gr. (%)	-	179.6	223.3	NA
Margin (%)	19.4	28.7	25.7	NA
Other Comprehensive Income	(14)	(3)	(7)	(6)
<b>Total Comprehensive Income</b>	<b>985</b>	<b>2,055</b>	<b>1,499</b>	<b>(252)</b>
Avg. Shares O/s (m)	160	160	160	160
<b>EPS (Rs)</b>	<b>6.2</b>	<b>12.9</b>	<b>9.4</b>	<b>(1.5)</b>

Source: Company Data, PL Research



## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Jul-20	Accumulate	1,495	1,401
2	16-Apr-20	BUY	1,428	1,292
3	24-Mar-20	BUY	1,656	858
4	14-Feb-20	BUY	1,656	1,580
5	28-Jan-20	BUY	1,339	1,004

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Hold	157	129
3	Indian Railway Catering and Tourism Corporation	Accumulate	1,495	1,401
4	Inox Leisure	Accumulate	262	235
5	Music Broadcast	Hold	18	16
6	Navneet Education	Accumulate	94	81
7	PVR	Accumulate	1,107	1,073
8	S Chand and Company	BUY	87	70
9	V.I.P. Industries	Hold	240	262

## 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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