

IRCTC reported a strong set of numbers in Q1FY22 which were a solid beat on our estimates on all fronts

- Revenue came in at INR 2,433.7 Mn, -28% qoq / +85% yoy and 15% above our estimate
- EBITDA came in at INR 1,115 Mn, -24% qoq and versus EBITDA loss of INR (439) Mn yoy and 62% above our est.
- EBITDA margin stood at 45.8% vs +43.2% / -33.4% in Q4FY21 / Q1FY21 respectively and was a big beat on our estimate of 32.7%.
- PAT stood at INR 825.2 Mn, -24% qoq and versus loss of INR (246) Mn yoy and +56% above our est.
- EPS stood at INR 5.2 in Q1FY22 vs 6.7 / (1.5) in Q4FY21 / Q1FY21

Segmental Contribution

Segmental Revenue was led by

- Internet Ticketing revenue at INR 1,499.7 Mn, -29% QoQ & +325% YoY | Internet Ticketing EBIT stood at INR 1,169 Mn - translating into EBIT margin of 78% in Q1FY22 vs 82% / 26% in Q4FY21 / Q1FY21
- Rail Neer revenue at INR 292.6 Mn, +5.3% QoQ & +800% YoY | EBIT in Rail Neer turned profitable in the quarter at INR 18.1 Mn vs loss of INR (5.8) Mn / INR (4.7) Mn
- Tourism was reported at INR 74.1 Mn, -76% QoQ & +151% YoY
- Catering was reported at INR 567 Mn, -16% QoQ & -37% YoY

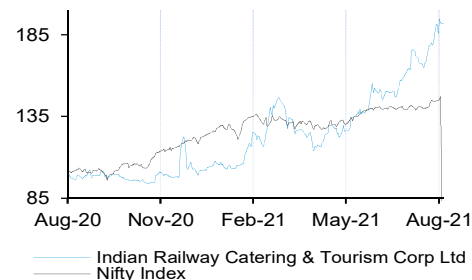
Revival was led by Rail Neer & Tourism which grew sequentially led by the Unlock 1. Internet Ticketing was the only segment that grew positively YoY basis. Internet ticketing segment witnesses strong margin increase at 81.91% in Q4FY21 v/s 76.25% QoQ and 78.75% YoY.

Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	2725	3

Market data

Current price	Rs	2633
Market Cap (Rs.Bn)	(Rs Bn)	424
Market Cap (US\$ Mn)	(US\$ Mn)	5714
Face Value	Rs	10
52 Weeks High/Low	Rs	2728/ 1290
Average Daily Volume	('000)	2550
BSE Code		542830
Bloomberg		IRCTC:IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

% Shareholding	Jun-21	Mar-21
Promoters	67.40	67.40
Public	32.60	32.60
Others	0.00	0.00
Total	100	100

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net sales	18,682	22,755	7,831	19,222	35,869
EBITDA	3,807	7,134	1,915	8,328	14,236
EBITDA Margin (%)	20%	31%	24%	43%	40%
EBIT	3,521	6,735	1,452	7,899	13,720
EBIT Margin (%)	19%	30%	19%	41%	38%
Adjusted Net Profit	2,685	5,275	1,517	6,467	10,895
Free Cash flow	4,674	3,724	721	2,789	10,096
EPS (Rs)	16.8	33.0	9.5	40.4	68.1
growth (%)	-69%	96%	-71%	326%	68%
P/E (x)	139	81	224	66	39
EV/EBITDA (x)	109	58	215	49	28
ROCE (%)	31.1	46.0	9.5	40.2	51.6
RoE (%)	30.4	44.1	13.7	39.5	50.3
Dividend yield (%)	0.3	0.5	0.2	0.6	1.0

Source: Company

Conference Call Key Highlights

Segmental Highlights

Internet Ticketing

Convenience Fees Segment

- Convenience fee stood at 69% of Internet Ticketing Revenues and non-Convenience fee was at 31%
- Total tickets booked during Q1FY22 were 6.37 Cr with total passengers traveling at 8.1 Cr which translates into a Passenger to Ticket ratio of 1.1 versus normal scenario of 1.7-1.8 passengers per ticket
- Ticketing Split: 2S at 39%, Sleeper Class at 39%, 3rd AC at 14% and other AC trains at 2%
- Average tickets booked per day in July/August stood at 11 lac tickets per day
- Average tickets booked per month in Q1FY22 stood at 2.12 Cr versus 3.44 Cr in the month of July
- Share of bookings through UPI stood at 26%

Non-Convenience Fee Segment

- IRCTC wallet had revenue of INR 1.61 Cr during Q1FY22 because fresh registrations are being charged and IRCTC is not charging any re-registration fee. IRCTC's wallet has 6 lac users. IRCTC has no sharing component as it is a closed loop wallet.

- Open e-wallets have higher scope versus a close wallet and IRCTC's iMudra is also in the process of launching but there is immense competition in this field. Growth in payment wallets will be low as there are ~75 paying options
- Payment Gateway can also act as a payment aggregator which can be offered to other Government agencies or used for other services (Unreserved Ticketing Segment, Income Tax Department, etc.). IRCTC is in process of applying for Payment Aggregator license to the RBI. One can expect positive developments from Q3FY22 onwards, post-which one can expect this segment to show immense traction.
- Advertisement revenue INR 8.5 Cr out of which INR 2.5 Cr was from banners, INR 4.5 Cr from advertisements, INR 1.1 Cr from promotional mailers and 44 lacs from SMS ads. Comparable ad revenue in Q1FY21 was <INR 10 Cr
- Within non-convenience fees segment, IRCTC has won a few government contracts which will be executed in the current quarter or Q3FY22
- 61 lac transactions happened on the IRCTC's Payment Gateway. Revenue through the payment gateway stood at INR 3.5-4 Cr in Q1FY22 versus INR 14 Cr in Q1FY21. Expect traction on PG revenues as it will be made more prominent on the app/website from 16th August onwards

Catering

- Till 31st March 2021 – 272 trains were running with pantry cars and now it is 316. 158 Train side vending till 31/03/2021 versus 256 now. Total catering services given to 572 trains versus 430 trains earlier and this number is much above the pre-COVID tally also
- 44 Cr out of the 56 Cr revenue in catering comes from licensing and concession fees

E-Catering

- Will launch own food delivery aggregation service/app/brand in association with a food delivery aggregator under own brand. Although negotiations with Zomato and Swiggy are on, they are relatively expensive and delivery service for trains and expectation of customers are drastically different. IRCTC is

already offering e-catering on Railofy, Makemytrip, Ixigo, etc. where certain revenue is being shared with these partners and performance in Q1FY22 has been encouraging.

- Q1FY22 meals per day at 17000 per day versus pre-covid level of 21000 meals per day
- E-catering margin have gone up from 12 to 15% – have increased the rates across the board – old and new partners. 252 stations are already being served with over 1000 vendors.

Tourism

- Participated in bids for 3 clusters in partnership with NIFL as a financial partner (through a non-binding agreement). Expect results from the government are still awaited
- IRCTC has products ranging from INR 800 to USD 850 per day. Since regular trains are not functioning, only mass tourism is being offered currently. After June, first Bharat Darshan has completed successfully with 2 additional running. IRCTC would be operating 22 trains upto December and would be adding more trains if situation remains same. Last entire year, Bharat Darshan trains and Pilgrim Special Trains were to the tune of 25. In addition to this, in the deluxe segment, IRCTC has announced the Char Dham Yatra which is already fully booked and since the response was encouraging, management has launched the Ramayana segment. Additionally, to promote North Frontier, IRCTC has launched “7 sisters” which is seeing strong pick up
- Air ticketing: Ladakh package saw extremely high demand. Kerala packages has also seen good bookings. Have launched Kashmir package. Air bookings run-rate stood 2700 segments per day

Rail Neer:

- Current capacity at 14.8 lac bottles per day. Production in Q1FY22 was at 32–35% of the capacity. 14 plants were operational and 1 additional plant was opened. Consumption of water bottles stands at 4.2 lac bottles per day and production is usually 20% higher.

Other Highlights

- Trains operating per day (to and from) in June, July and August stood at 2521, 2700, 2750. Trains are operating as “special trains” but with reduced number of trains. As situation normalizes, 800–900 more trains may be added. 30% of the total trains fall under “premium” segment. Passenger trains in local areas are not operating and as it is IRCTC is not beneficiary in this area.
- Dedicated Freight Corridor: as of now trains are not operating on DFC except for special cases – no new space for passenger trains yet
- INR 100 cr capex in FY22 which will increase if private train PPP works out (most probably this will happen next year)

Valuation & Outlook

IRCTC is trading at 69x and 39x FY22e / FY23e EPS. Despite the pandemic, Q1FY22 performance was robust and above expectations. Although the 2nd wave impacted the company's operations in Q1FY22, management indicated that revival in ticket bookings has been dramatic at an average of 11 lakh tickets per day in July.

While we are extremely positive on the long-term prospects of IRCTC, we will re-rate the stock predicated on factors mentioned below

- Resumption of fresh food services and implementation of price increase in set menus of Rajdhani, Shatabdi, Duronto and Express/Mail Trains (which was delayed due to onset of COVID-19)
- Uncertainty around 3rd COVID wave in India
- Trajectory of price realizations of convenience fees in the Internet Ticketing space. Price realizations have currently dropped to INR 16.2 versus earlier average of INR 17-18 due to inclusion of 2S in reserved ticketing. Additionally, we will also give certain clarity of bounce-back in luxury travel in the forthcoming quarters versus necessity travel in Q1FY22 due to the pandemic.
- Approval and scale up of Payment Aggregation business (tentatively expected post Q3FY22)
- Strategy and execution of own brand of food aggregation business in association with a food aggregator delivery partner
- Scale up in Rail Neer production and expansion as normalcy returns in a post-COVID world

In conclusion, our EPS estimates for FY22 increase from INR 33 earlier to INR 40.4 while FY23e EPS estimates increase marginally from INR 66.8 to INR 68.1. Although, we maintain our target multiple at 40x FY23e EPS which translates into a target price of INR 2,725 (earlier INR 2,675), we downgrade our rating from BUY to "Buy on dips" as the stock has rallied by more than 30% since our previous update. We will consider re-rating our recommendation and target price as and when any or all of the above factors play out for IRCTC.

Financials

Profit & Loss Statement						Balance Sheet (Consolidated)					
YE March (Rs. mn)	FY19	FY20	FY21	FY22E	FY23E	YE March (Rs. mn)	FY19	FY20	FY21	FY22E	FY23E
Net Sales	18682	22755	7831	19222	35869	Liabilities					
% Growth	27%	22%	-66%	145%	87%	Equity Capital	1,600	1,600	1,600	1,600	1,600
Operating Expenses						Reserves & Surplus	9,070	11,678	12,777	16,787	23,324
Total Operating Expenses	14875	15621	5915	10894	21633	Equity	10,670	13,278	14,377	18,387	24,924
EBITDA	3807	7134	1915	8328	14236	Net Worth	10,670	13,278	14,377	18,387	24,924
Growth (%)	31%	87%	-73%	335%	71%	Others	520	566	192	471	878
EBITDA Margin (%)	20%	31%	24%	43%	40%	Capital Employed	11,337	14,635	15,360	19,648	26,593
Less: Depreciation	286	399	463	429	516	Assets					
EBIT	3521	6735	1452	7899	13720	Gross Block	3,092	3,337	3,487	4,237	4,987
Growth (%)	32%	91%	-78%	444%	74%	Less: Depreciation	1,621	1,779	2,241	2,670	3,186
EBIT Margin (%)	19%	30%	19%	41%	38%	Net Block	1,471	1,559	1,246	1,567	1,801
Interest Paid	23	73	81	151	151	Capital WIP	404	162	99	242	451
Other Income	888	781	856	857	1793	Current Assets					
Extra-ordinary Income/ (Expense)	374	11	382	0	0	Inventories	79	98	32	60	119
PBT	4759	7454	2609	8605	15363	Sundry Debtors	5,817	7,894	2,682	6,320	11,301
Tax Expenses	1700	2168	710	2137	4468	Total Current Assets	22,587	28,580	19,205	26,584	43,049
Net Profit	3059	5286	1899	6467	10895	Less: Current Liabilities					
Adjust PAT	2685	5275	1517	6467	10895	Sundry Creditors	1,909	1,695	713	1,313	2,608
Growth (%)	23%	96%	-71%	326%	68%	Total Current Liabilities	14,547	17,863	6,784	11,013	21,835
APAT Margin (%)	14%	23%	19%	34%	30%	Capital Applied	11,337	14,635	15,360	19,648	26,593
EPS	19	33	12	40	68						
Growth (%)	-65%	73%	-64%	241%	68%						
AEPS	17	33	9	40	68						
Growth (%)	-69%	96%	-71%	326%	68%						

Financial Ratio Analysis					
YE March (Rs. mn)	FY19	FY20	FY21	FY22E	FY23E
Profitability Ratios					
ROE (%)	30%	44%	14%	39%	50%
ROCE (%)	31%	46%	9%	40%	52%
ROA (%)	12%	17%	9%	22%	23%
Financial Leverage Ratios					
Debt / Equity (x)	0.0x	0.0x	0.0x	0.0x	0.0x
Interest Coverage (x)	162x	98x	23x	55x	94x
Asset Turnover Ratios					
Debtors (Days)	111	110	246	85	90
Creditors (Days)	65	62	96	56	55
Inventory (Days)	2	2	4	2	2
Valuation Ratios					
Book Value (Rs.)	67	83	90	115	156
P/E (x)	139	81	224	66	39
P/BV (x)	40	32	30	23	17
EV/EBITDA (x)	109	58	215	49	28
Market Cap. / Sales (x)	23	19	54	22	12
Net Cash / Mkt Cap (%)	3%	3%	3%	3%	5%
Dividend Yield (%)	0%	0%	0%	1%	1%
Dividend Per Share	8	13	5	15	27
EV	414360	412796	411552	411159	404589
Market Cap	4,25,760	4,25,760	4,25,760	4,25,760	4,25,760
Net Cash	11425	12967	14211	14604	21174
Net Debt	-11400	-12964	-14208	-14601	-21171
Dividend Payout Ratio (%)	40%	38%	42%	38%	40%

Cash Flows (Consolidated)					
YE March (Rs. Mn)	FY19	FY20	FY21	FY22E	FY23E
PAT	3,059	5,286	1,899	6,467	10,895
Less: Non Operating Income	(888)	(781)	(856)	(857)	(1,793)
Add: Depreciation	286	399	463	429	516
Operating Profit before WC Changes	2,108	4,966	1,205	6,190	9,768
(Inc)/Dec in Current Assets	718	(4,410)	10,553	(6,959)	(9,835)
Inc/(Dec) in Current Liabilities	1,897	3,316	(11,079)	4,229	10,821
Changes in Inventory	(5)	(19)	65	(27)	(59)
Net Cash Generated From Operations	4,718	3,853	745	3,433	10,696
Cash Flow from Investing Activities					
(Inc)/Dec in Fixed Assets	(200)	(487)	(150)	(750)	(750)
(Inc)/Dec in Capital Work In Progress	(327)	242	64	(143)	(209)
Add: Non Operating Income	888	781	856	857	1,793
Net Cash Flow from Investing Activities	356	(366)	770	(36)	834
Cash Flow from Financing Activities					
Dividend Paid	(1,224)	(2,000)	(800)	(2,458)	(4,358)
Net Cash Flow from Financing Activities	(1,722)	(2,049)	(875)	(2,330)	(4,101)
Net Inc/Dec in cash equivalents	3,351	1,438	641	1,067	7,428
Opening Balance	8,339	11,400	12,964	14,208	14,601
Closing Cash and Cash Equivalents	11,690	12,838	13,605	15,275	22,029

Free Cash Flow Statement					
Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
EBITDA	3,807	7,134	1,915	8,328	14,236
FC Investment	146	245	150	750	750
WC Changes	2,610	-1,113	-460	-2,757	928
Depreciation Tax Shield	102	116	126	107	150
Tax Expenses	1,700	2,168	710	2,137	4,468
FCF	4,674	3,724	721	2,789	10,096

Source: Dalal & Broacha Research, Company

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services. D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time. SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Name	Designation	Email	Phone	Sector
Mr. Kunal Bhatia	Head of Research	kunal.bhatia@dalal-broacha.com	022 67141442	Auto Auto Ancillary FMCG
Mrs.Charulata Gaidhani	Sr. Analyst	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma Healthcare
Mr. Mayank Babla	Sr. Analyst	mayank.babla@dalal-broacha.com	022 67141412	IT Telecom Media
Mr. Avinash Tanawade	Sr. Analyst	avinash.tanawade@dalal-broacha.com	022 67141449	BFSI
Mr. Akshay Ashok	Analyst	akshay.ashok@dalal-broacha.com	022 67141486	BFSI
Ms. Timshar Dhamodiwala	Associate	timshar.dhamodiwala@dalal-broacha.com	022 67141441	IT Telecom Media

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992, 2287 6173, Fax: 91-22-2287 0092

E-mail: equity.research@dalal-broacha.com