



IRCTC posted a mixed bag of Q2FY22 results with revenue below our estimate; however recorded highest ever EBITDA margin at 52.2%

- Revenue came in at INR 4,049.4 Mn, +66% qoq / +357% yoy and but lower than our estimate of INR 5,672 Mn
- EBITDA came in at INR 2,115.1 Mn, +90% qoq and versus EBITDA loss of INR (56) Mn yoy but lower than our estimate of INR 2,437 Mn.
- EBITDA margin stood at 52.2% vs +45.8% / -6.3% in Q1FY22 / Q2FY21 respectively and was a big beat on our EBITDA margin estimate of 43%.
- APAT stood at INR 1,585.7 Mn, +92% qoq and versus Adjusted Loss of INR (97) Mn yoy.
- EPS (post-split) stood at INR 2 in Q2FY22 vs 1.03 / (0.1) in Q1FY22 / Q2FY21

Segmental Contribution

Segmental Revenue was led by

- Internet Ticketing** (66% of revenue) at INR 2,653.1 Mn, +77% QoQ & +355% YoY | Internet Ticketing EBIT stood at INR 2,203 Mn – translating into EBIT margin of 83% in Q2FY22 vs 78% / 105% in Q1FY22 / Q2FY21
- Rail Neer** (10% of revenue) at INR 411.7 Mn, +41% QoQ & +345% YoY | EBIT in Rail Neer stood at INR 27.9 Mn +54% and versus EBIT loss of INR (22.6) Mn
- Tourism** (7% of revenue) was reported at INR 270.6 Mn, +265% QoQ / +602% YoY
- Catering** (18% of revenue) was reported at INR 713.9 Mn, +26% QoQ & +316% YoY

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Net sales	18,682	22,755	7,831	16,137	31,102
EBITDA	3,807	7,134	1,915	8,024	13,250
EBITDA Margin (%)	20%	31%	24%	50%	43%
EBIT	3,521	6,735	1,452	7,584	12,734
EBIT Margin (%)	19%	30%	19%	47%	41%
Adjusted Net Profit	2,685	5,275	1,517	6,182	10,062
Free Cash flow	4,674	3,724	721	1,774	9,425
EPS (Rs)	16.8	33.0	9.5	7.7	12.6
growth (%)	-69%	96%	-71%	-19%	63%
P/E (x)	174	101	280	111	68
EV/EBITDA (x)	137	73	270	83	50
ROCE (%)	31.1	46.0	9.5	29.4	39.5
RoE (%)	30.4	44.1	13.7	31.7	36.4
Dividend yield (%)	0.2	0.4	0.2	0.3	0.6

Source: Company
Shares split in the ratio of 1:5 and Face Value reduced from INR 10 to INR 2 on 29th October 2021. Therefore, FY22e and FY23e EPS and other numbers are post-split in nature whereas numbers in FY21 and before are pre-split in nature.

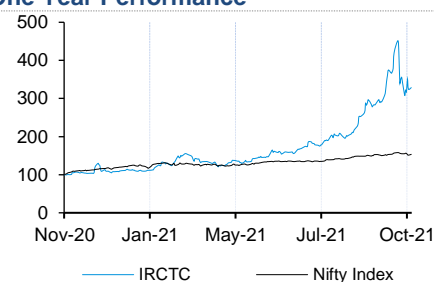
Rating	TP (Rs)	Up/Dn (%)
	943	10

Market data

Current price	Rs	855
Market Cap (Rs.Bn)	(Rs Bn)	684
Market Cap (US\$ Mn)	(US\$ Mn)	9,140
Face Value	Rs	2
52 Weeks High/Low	Rs	1,279 / 258
Average Daily Volume	('000)	89,384
BSE Code		542830
Bloomberg		IRCTC.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

(%) Shareholding	Sep-21	Jun-21
Promoter	67.4	67.4
Public	32.6	32.6
Total	100	100

Source: BSE

Mayank Babla
(022) 67141412
mayank.babla@dalal-broacha.com

Conference Call Key Highlights

Segmental Highlights

- IRCTC has been given the authority/autonomy to charge/change convenience fees. If the decision to split revenue would not have been withdrawn, management would have taken a price hike or removed the subsidized UPI rates or taken other measures such as reduced operating costs. But that would have taken some time as a board approval is required to change the service charges.
- No comments on whether MoR will retain 2S reservations post COVID. 40% of reservations in tickets booking come from 2S class.
- Trains operational in July: 2745, August: 2750, September: 2949 and October: 3019. Still operating at 15% lower capacity than pre-COVID levels
- Cash and bank balance - INR 1945 Cr

Internet Ticketing:

- 11.22 Cr tickets booked in Q2FY22 which translates into 3.7 Cr tickets booked per month or 12.2 lakh tickets booked per day.
- Category-wise split of ticket bookings: 1AC: 0.3%, Executive: 0.7%, 2AC: 3.5%, 3AC: 14.9%, AC Chair: 3.5% Sleeper: 37.3%, Sleeper 2nd AC: 40%
- Out of INR 265.3 Cr of Internet Ticketing revenue in Q2FY22: Convenience Fee revenue stood at INR 185 Cr and Non-Convenience Fees stood at INR 80 Cr. Within Non-convenience fees, INR 20 Cr from advertisement revenue.
- In H1FY22: Convenience fees stood at INR 289 Cr, Services Charges at INR 23 Cr, Ad Income at INR 21.41. AMC at INR 58.34 Cr, e-wallet at INR 2.79 Cr and Commission (B2C) at INR 7.39 Cr

Tourism segment:

- Haulage cost of Tejas has been increased therefore losses in Tourism have increased, but management has asked MoR to reconsider and is hopeful of getting respite. If not, then management will either reduce frequency or increase price or reduce costs, etc.

Food & Beverages:

- 24,210+ meals booked per day in Q2FY22 vs 21,000 average in Q1FY22
- 10 Aggregators are live
- 1000 service provider vendors active
- In process of mobilizing own Food Plazas and Fast-Food Units to increase facility to more and more trains
- 20 B2C agents active in Q2FY22 in e-catering vs 2 during Q1FY22.

- Number of stations where e-catering is live has increased to 252.
- Also in the process of tying up with new aggregators and vendors
- Catering is being provided to 634 Trains in Q2FY22 vs 550 in Q1FY22

Rail Neer

- Capacity at 15 lakh bottles per day
- 55-60% capacity utilization approximately

Valuation & Outlook

At CMP of INR 855, IRCTC is trading at 111x / 68x FY22e / FY23e EPS. While Internet Ticketing continues to perform well in the post-COVID period, Rail Neer, Food & Beverages and Tourism segments are still struggling to recover in the aftermath of COVID.

Food & Beverages has not recovered as the Ministry of Railways is reluctant to start fresh food due to COVID spread concerns and are still offering Ready to Eat meals. Rail Neer volumes have also failed to pick-up as initially envisioned which is mainly due delayed investments in setting up manufacturing units due to a U-shaped recovery (versus earlier expectations of a V-shaped recovery) in the aftermath of COVID. Tourism is also picking up slowly and gradually and will take a few quarters before it even reaches its pre-COVID levels.

We believe that F&B will be the fastest to recover as and when the MoR restarts fresh food offering. RailNeer volumes should also pick-up in-line with recovery of Travel and Tourism. As per management, Rail Neer is operating at 55-60% capacity and recovery, in terms of volumes, to the extent of 75-90% can be quick. But the broad-based pick-up in volumes due to expansion in manufacturing capacity between FY21 and FY23e, that we had initially envisioned (in our IC dated April 2021), will be delayed by at least 2-4 quarters.

Therefore, we reduce our revenue from INR 1,922 Mn / INR 35,869 Mn to INR 16,137 Mn / INR 31,102 Mn in FY22e / FY23e. Subsequently, our EPS estimates (post-split) also reduce from INR 8.1 / 13.6 to INR 7.7 / 12.6 respectively.

We had earlier valued the company at 40x FY23e estimates with a conservative target of INR 545 and blue-sky scenario target of INR 883 – both of which stand achieved. We had earlier given 2 cases for target multiples as we were unsure whether IRCTC would command rich valuations, but the last few months have shown that market has rewarded extremely rich valuations to the company.

Therefore, given the monopoly nature of the business, market's acceptability of rich valuations and IRCTC's autonomy for Service charges (mentioned in Q2FY22 call), we believe that the company can command much higher multiple than our initial target of 40x. However, this higher multiple should be discounted given the risk of malign (to minority shareholders) intervention from parent (as in the most recent and sudden case of 50-50 convenience charges split debacle) and its PSU status.

Therefore, although we reduce the revenue and EPS forecast (as above) we increase the target multiple to 75x FY23e to arrive at a target price of INR 943 (from earlier target of INR 545).

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	16137	31102	Liabilities					
% Growth	27%	22%	-66%	106%	93%	Equity Capital	1,600	1,600	1,600	8,000	8,000
Operating Expenses						Reserves & Surplus	9,070	11,678	12,777	16,610	22,647
Total Operating Expenses	14875	15621	5915	8113	17852	Equity	10,670	13,278	14,377	24,610	30,647
EBITDA	3807	7134	1915	8024	13250	Net Worth	10,670	13,278	14,377	24,610	30,647
Growth (%)	31%	87%	-73%	319%	65%	Others	520	566	192	395	761
EBITDA Margin (%)	20%	31%	24%	50%	43%	Capital Employed	11,337	14,635	15,360	25,796	32,199
Less: Depreciation	286	399	463	440	516	Assets					
EBIT	3521	6735	1452	7584	12734	Gross Block	3,092	3,337	3,487	4,237	4,987
Growth (%)	32%	91%	-78%	422%	68%	Less: Depreciation	1,621	1,779	2,241	2,682	3,198
EBIT Margin (%)	19%	30%	19%	47%	41%	Net Block	1,471	1,559	1,246	1,556	1,789
Interest Paid	23	73	81	101	101	Capital WIP	404	162	99	203	391
Other Income	888	781	856	702	1555	Current Assets					
Extra-ordinary Income/(Expense)	374	11	382	0	0	Inventories	79	98	32	44	98
PBT	4759	7454	2609	8185	14188	Sundry Debtors	5,817	7,894	2,682	5,305	9,799
Tax Expenses	1700	2168	710	2003	4127	Total Current Assets	22,587	28,580	19,205	30,164	45,186
Net Profit	3059	5286	1899	6182	10062	Less: Current Liabilities					
Adjust PAT	2685	5275	1517	6182	10062	Sundry Creditors	1,909	1,695	713	978	2,152
Growth (%)	23%	96%	-71%	307%	63%	Total Current Liabilities	14,547	17,863	6,784	8,237	18,049
APAT Margin (%)	14%	23%	19%	38%	32%	Capital Applied	11,337	14,635	15,360	25,796	32,199
EPS	19	33	12	7.7	12.6						
Growth (%)	-65%	73%	-64%	-35%	63%						
AEPS	17	33	9	7.7	12.6						
Growth (%)	-69%	96%	-71%	-19%	63%						

Shares split in the ratio of 1:5 and Face Value reduced from INR 10 to INR 2 on 29th October 2021. Therefore, FY22e and FY23e EPS and other numbers are post-split in nature whereas numbers in FY21 and before are pre-split in nature.

Financial Ratio Analysis						Cash Flows (Consolidated)					
YE March (Rs. mn)	FY19	FY20	FY21	FY22E	FY23E	YE March (Rs. Mn)	FY19	FY20	FY21	FY22E	FY23E
Profitability Ratios						PAT	3,059	5,286	1,899	6,182	10,062
ROE (%)	30%	44%	14%	32%	36%	Less: Non Operating Income	(888)	(781)	(856)	(702)	(1,555)
ROCE (%)	31%	46%	9%	29%	40%	Add: Depreciation	286	399	463	440	516
ROA (%)	12%	17%	9%	19%	21%	Operating Profit before WC Changes	2,108	4,966	1,205	6,021	9,124
						(Inc)/Dec in Current Assets	718	(4,410)	10,553	(5,045)	(8,857)
Financial Leverage Ratios						(Inc)/Dec in Current Liabilities	1,897	3,316	(11,079)	1,452	9,812
Debt / Equity (x)	0.0x	0.0x	0.0x	0.0x	0.0x	Changes in Inventory	(5)	(19)	65	(12)	(53)
Interest Coverage (x)	162x	98x	23x	79x	131x	Net Cash Generated From Operations	4,718	3,853	745	2,416	10,025
						Cash Flow from Investing Activities					
Asset Turnover Ratios						(Inc)/Dec in Fixed Assets	(200)	(487)	(150)	(750)	(750)
Debtors (Days)	111	110	246	90	89	(Inc)/Dec in Capital Work In Progress	(327)	242	64	(105)	(188)
Creditors (Days)	65	62	96	60	54	Add: Non Operating Income	888	781	856	702	1,555
Inventory (Days)	2	2	4	2	1	Net Cash Flow from Investing Activities	356	(366)	770	(152)	617
						Cash Flow from Financing Activities					
Valuation Ratios						Dividend Paid	(1,224)	(2,000)	(800)	(2,349)	(4,025)
Book Value (Rs.)	67	83	90	31	38	Net Cash Flow from Financing Activities	(1,722)	(2,049)	(875)	4,153	(3,760)
P/E (x)	174	101	280	111	68	Net Inc/Dec in cash equivalents	3,351	1,438	641	6,417	6,883
P/BV (x)	50	40	37	28	22	Opening Balance	8,339	11,400	12,964	14,208	20,110
EV/EBITDA (x)	137	73	270	83	50	Closing Cash and Cash Equivalents	11,690	12,838	13,605	20,625	26,993
Market Cap. / Sales (x)	28	23	68	42	22						
Net Cash / Mkt Cap (%)	2%	2%	3%	3%	4%	Free Cash Flow Statement					
Dividend Yield (%)	0%	0%	0%	0%	1%	Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
						EBITDA	3,807	7,134	1,915	8,024	13,250
Dividend Per Share	8	13	5	3	5	FC Investment	146	245	150	750	750
EV	520600	519036	517792	663890	657779	WC Changes	2,610	-1,113	-460	-3,605	901
Market Cap	5,32,000	5,32,000	5,32,000	6,84,000	6,84,000	Depreciation Tax Shield	102	116	126	108	150
Net Cash	11425	12967	14211	20113	26224	Tax Expenses	1,700	2,168	710	2,003	4,127
Net Debt	-11400	-12964	-14208	-20110	-26221	FCF	4,674	3,724	721	1,774	9,425
Dividend Payout Ratio (%)	40%	38%	42%	38%	40%						

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	Retail FMCG Logistics
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	Sr.Analyst	akshay.ashok@dalal-broacha.com	022 67141486	BFSI
Mr.Bhavya Gandhi	Associate	bhavya.gandhi@dalal-broacha.com	022 67141444	Midcaps
Mr.Miraj Shah	Associate	miraj.shah@dalal-broacha.com	022 67141489	FMCG Retail

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

Tel: 91-22- 2282 2992, 2287 6173, E-mail: equity.research@dalal-broacha.com