



A must have long-term compounder

IRCTC reported a decent set of numbers in Q4FY21 which were a solid beat on our estimates on all fronts.

- Revenue came in at INR 3,387.9 Mn, +51% QoQ / -42% YoY and 11% above our estimate
- EBITDA came in at INR 1,463.1 Mn, +55% QoQ / -28% YoY and +18% above our est.
- EBITDA margin stood at 43.2% vs 42.2% / 34.4% in Q3FY21 and Q4FY20 respectively and was a big beat on our estimate of 40.4%.
- PAT stood at INR 1,037.9 Mn, +33% QoQ / -31% YoY and +8% above our est. APAT stood at INR 1,078.9 Mn, +38% QoQ / -28% YoY and +13% above our est
- EPS stood at INR 6.5 in Q4FY21 vs 4.8 / 9.4 in Q3FY21 / Q4FY20. AEPS stood at INR 6.7
- Declared a dividend of INR 5 per share

Segmental Contribution

Segmental Revenue was led by

- Rail Neer was reported at INR 278.1 Mn, +64% QoQ & -45% YoY
- Tourism was reported at INR 315.8 Mn, +104% QoQ & -69% YoY
- Internet Ticketing was reported at INR 2,120.1 Mn, +48% QoQ & +10% YoY
- Catering was reported at INR 673.9 Mn, +38% QoQ & -70% 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.

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Net sales	18,682	22,755	7,831	21,073	35,363
EBITDA	3,807	7,134	1,915	6,894	13,903
EBITDA Margin (%)	20%	31%	24%	33%	39%
EBIT	3,521	6,735	1,452	6,466	13,387
EBIT Margin (%)	19%	30%	19%	31%	38%
Adjusted Net Profit	2,685	5,275	1,517	5,275	10,690
Free Cash flow	4,674	3,724	721	3,427	7,897
EPS (Rs)	16.8	33.0	9.5	33.0	66.8
growth (%)	-69%	96%	-71%	248%	103%
P/E (x)	106	62	171	62	30
EV/EBITDA (x)	82	44	162	45	22
ROCE (%)	31.1	46.0	9.5	34.1	52.1
RoE (%)	30.4	44.1	13.7	32.9	51.3
Dividend yield (%)	0.4	0.6	0.2	0.6	1.3

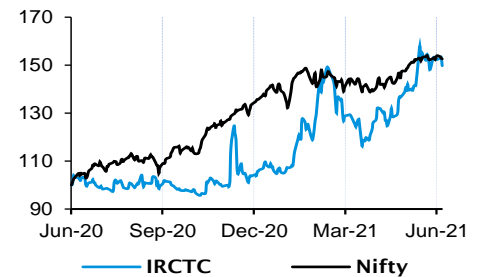
Source: Dalal & Broacha

Rating	TP (Rs)	Up/Dn (%)
BUY	2675	32

Market data

Current price	Rs	2034
Market Cap (Rs.Bn)	(Rs Bn)	325
Market Cap (US\$ Mn)	(US\$ Mn)	4360
Face Value	Rs	10
52 Weeks High/Low	Rs	2184/1291
Average Daily Volume	('000)	1842
BSE Code		542830
Bloomberg		IRCTC:IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

% Shareholding	Mar-21	Dec-20
Promoters	67.40	67.40
Public	32.60	32.60
Others	0.00	0.00
Total	100	100

Source: BSE

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

Timshar Dhamodiwala
(022) 67141441
timshar.dhamodiwala@dalal-broacha.com

Conference Call Key Highlights

Operational Highlights

- **Performance Overview:** Pandemic has severely impacted the IRCTC business in the past quarters. However, with the help of Unlock 1, many people resumed their travelling in the month of January & February which helped in improving the performance of the company.
- **Strong Balance Sheet:** Net Cash stood at INR 1460 Crs and Net Worth was reported at INR 1466 Crs.

Segmental Highlights

Internet Ticketing

- Most resilient sector in the challenging times EBIT Margin witnessed sharp improvement on QoQ basis reported at 83.3%.
- In 2021, 1740 Lakh tickets have been booked which is approximately 50% of the tickets booked in the previous year.
- Convenience Fee (66% of Revenue) realized in FY21 was INR 299 Crores and rest is non-Convenience charge (33% of Revenue).
- Under non-convenience charge: Annual maintenance and other service charges of INR 100 Crores. Payment Gateway reported revenue of INR 15 Cr in FY21 vs INR 21 Cr in FY20 and Ad Revenue reported a revenue of INR 9.78 Cr

Catering

- Revenue has been improving QoQ basis however the overall revenue is lower YoY basis.
- The performance of this segment has been undermined because only 'Ready to Eat' or 'Order through E-Catering' is permissible compared to pre-cooked food in pre-pandemic era.
- **E-Catering:** There has been changes in the E-Catering and the aggregate model. Commissions on new tie-ups has increased from 12% to 15% as the booking through E-Catering keeps rising. E-catering tie-ups with B2C partners such as MMT, Mobikwik, Ixigo and others. Started with 1000 meals which has now reached to 1100-1200 which also went up to 11-12000 meals in holiday season. Expect this to reach the pre-covid levels very soon.
- Increments in License fees on renewals (which usually happens annually) will happen only footfalls start to normalize

Tourism

- Most impacted segment worldwide due to the pandemic crisis. Revenue doubled QoQ basis.
- RFPs for PPP projects has been pushed to July 2021 (IRCTC has participated in 11 clusters)
- INR 28 Cr of provision charged during the quarter for Lease and Haulage charge on Tejas Express trains for which IRCTC

Covid 3rd Wave: Q1FY22 has again seen the surge of Covid-19 infections although same is under control as vaccination drive continues to remain strong. The 3rd wave of the pandemic impact remains uncertain but the firm is expected to recover in a robust fashion.

Internet segment revenue has been 448 crores in FY21 however business is lower due to lesser of trains being operated and number of passengers has reduced to half the real capacity.

Catering had prepaid segment which used to be around 500 crores and has been eliminated since the pandemic started resulting in an EBITDA loss.

Pantry cars operational during pre-covid times were 470 and currently only 250 pantry cars are operational. However, pantry car operations remain dynamic because the number of trains keeps changing.

Tourism segment did not have revenues from Maharajas Express and State Trains and air ticketing also was restricted as various plan operations were undermined due to the 2nd wave.

has already requested Ministry of Railways for waiver (can expect a reversal by Q1 or Q2 FY22).

Rail Neer:

- Improvement in earnings post Unlock 1. Q4FY21 Capex stood at INR 46 Crs. and FY21 Capex stood at INR 73 Crs.

iPay

- Advertising revenue from SMS was very less. Cumulative advertising revenue was INR 9.78 crores. Revenue Contribution from UPI is 24.18% for the total ticket booking whereas debit card contributes 22%.

Payment Gateway (iPay) contributed an income of INR 15 Crores (7% of Revenue) as against the revenue of INR 38 Crores in the previous year.

Quarterly Result Highlights

Y/E Mar (Rs mn)	Q4FY21	Q3FY21	Q-o-Q change %	Q4FY20	Y-o-Y change %
Revenue	3,388	2,244	51.0%	5,869	(42.3%)
Less:					
Purchase of Stock-in-Trade	64	71	(9.7%)	25	156.5%
Changes in inventory of finished goods	1	3	(81.1%)	-6	(109.8%)
Net	65	74	(12.7%)	19	243.0%
Cost of Services & Raw Materials	126	81	56.2%	233	(45.8%)
Employee Cost	553	508	8.9%	685	(19.2%)
Expenses of Catering Services	164	169	(2.8%)	1,456	(88.7%)
Expenses of Tourism	500	133	276.2%	773	(35.3%)
Manufacturing & Direct Expenses	189	199	(4.8%)	270	(29.9%)
Miscellaneous Expenses	327	134	144.7%	415	(21.2%)
Total Cost	1,925	1,297	48.4%	3,850	(50.0%)
EBITDA	1,463	946	54.6%	2,019	(27.5%)
Less: Depreciation	187	96	94.8%	104	80.3%
Operating Income	1,276	850	50.0%	1,915	(33.4%)
Interest Paid	37	14	167.4%	29	30.1%
Other Income	195	209	(6.7%)	199	(2.4%)
Extraordinary Income	-41	-1		4	
Profit Before Tax	1,392	1,044	33.3%	2,090	(33.4%)
Adj. Profit Before Tax	1,433	1,045	37.1%	2,086	(31.3%)
Less:					
Tax	389	265	46.7%	589	(33.9%)
Deferred Tax	-35	-2		-5	
Profit After Tax	1,038	781	32.9%	1,506	(31.1%)
Adj. Profit After Tax	1,079	782	38.0%	1,502	(28.2%)
Basic & Diluted EPS (Rs.)	6.5	4.9	32.9%	9.4	(31.1%)
Adjusted EPS (Rs.)	6.7	4.9	38.0%	9.4	(28.2%)

Margin Analysis %			Change in bps		Change in bps
EBITDA Margin	43.2%	42.2%	101	34.4%	879
Operating Margin	37.7%	37.9%	-24	32.6%	503
PBT Margin	41.1%	46.5%	-544	35.6%	548
NPM	30.6%	34.8%	-417	25.7%	497
Effective Tax Rate (%)	25.4%	25.2%	24	27.9%	-249

Segmental Revenue	Q4FY21	Q3FY21	Q-o-Q change %	Q4FY20	Y-o-Y change %
Licencee Catering	673.9	489.6	37.7%	2362.9	28.5%
Railneer	278.1	169.4	64.2%	511.1	54.4%
Internet Ticketing	2120.1	1430.2	48.2%	1936.0	109.5%
Tourism	315.8	154.6	104.3%	1016.6	31.1%
State Teertha	0.0	0.0	0.0%	42.4	0.0%
Total Segmental Revenue	3387.9	2243.7	51.0%	5868.9	57.7%

Source: Dalal & Broacha Research, Company

Valuation & Outlook

IRCTC is trading at 62x and 30x FY22e / FY23e EPS. Despite the pandemic, Q4FY21 performance was robust. Although the 2nd wave has impacted the company's operations in April and May, management indicated that revival in ticket bookings has been dramatic at 80% of pre-COVID times and recorded 10 lakh tickets per day (pre-COVID normal was 8 lakh tpd) on certain holidays in June.

Q4FY21 performance and management commentary on June bookings indicate that travel & tourism will witness a V-shaped recovery once normalcy resumes. The V-shaped recovery will also be supported by increased pace of vaccinations in the country. As of date of this report, 32.9 Cr people have already been administered with the 1st dose of the vaccine and 5.77 Cr people are completely vaccinated. The Jury is still out on the 3rd wave and Delta variant – which are the major risk factors to the company and entire travel and tourism industry.

However, the company has a strong balance sheet and Government backing, which neutralize this risk incase the risk factors play out. We reduce our estimates for FY22 due to 2 main reasons: 1. We expect slower pace of ramp-up in Rail Neer capacities due to COVID impact at 2.2 Mn bpd vs 2.8 Mn bpd by FY22 end 2. COVID impact on Q1FY22 estimates. However, our estimates for FY23e remain same as before as we expect a strong rebound in Travel & Tourism as normalcy sets in.

We maintain our BUY rating on the stock with a target price of INR 2,675. We strongly believe that IRCTC is long term compounder and a must-have portfolio stock.

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	21073	35363	Liabilities					
% Growth	27%	22%	-66%	169%	68%	Equity Capital	1,600	1,600	1,600	1,600	1,600
Operating Expenses						Reserves & Surplus	9,070	11,678	12,777	16,048	22,461
Total Operating Expenses	14875	15621	5915	14179	21460	Equity	10,670	13,278	14,377	17,648	24,061
EBITDA	3807	7134	1915	6894	13903	Net Worth	10,670	13,278	14,377	17,648	24,061
Growth (%)	31%	87%	-73%	260%	102%	Others	520	566	192	516	866
EBITDA Margin (%)	20%	31%	24%	33%	39%	Capital Employed	11,337	14,635	15,360	18,954	25,718
Less: Depreciation	286	399	463	428	516	Assets					
EBIT	3521	6735	1452	6466	13387	Gross Block	3,092	3,337	3,487	4,237	4,987
Growth (%)	32%	91%	-78%	345%	107%	Less: Depreciation	1,621	1,779	2,241	2,669	3,185
EBIT Margin (%)	19%	30%	19%	31%	38%	Net Block	1,471	1,559	1,246	1,568	1,802
Interest Paid	23	73	81	81	81	Capital WIP	404	162	99	265	445
Other Income	888	781	856	1054	1768	Current Assets					
Extra-ordinary Income/(Exp)	374	11	382	0	0	Inventories	79	98	32	78	118
PBT	4759	7454	2609	7438	15074	Sundry Debtors	5,817	7,894	2,682	6,928	11,142
Tax Expenses	1700	2168	710	2163	4384	Total Current Assets	22,587	28,580	19,205	29,016	42,027
Net Profit	3059	5286	1899	5275	10690	Less: Current Liabilities					
Adjust PAT	2685	5275	1517	5275	10690	Sundry Creditors	1,909	1,695	713	1,709	2,587
Growth (%)	23%	96%	-71%	248%	103%	Total Current Liabilities	14,547	17,863	6,784	14,259	21,657
APAT Margin (%)	14%	23%	19%	25%	30%	Capital Applied	11,337	14,635	15,360	18,954	25,718
EPS	19	33	12	33	67						
Growth (%)	-65%	73%	-64%	178%	103%						
AEPS	17	33	9	33	67						
Growth (%)	-69%	96%	-71%	248%	103%						

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	5,275	10,690
ROE (%)	30%	44%	14%	33%	51%	Less: Non Operating Income	(888)	(781)	(856)	(1,054)	(1,768)
ROCE (%)	31%	46%	9%	34%	52%	Add: Depreciation	286	399	463	428	516
ROA (%)	12%	17%	9%	16%	23%	Operating Profit before WC Changes	2,108	4,966	1,205	4,731	9,519
Financial Leverage Ratios						(Inc)/Dec in Current Assets	718	(4,410)	10,553	(8,107)	(8,380)
Debt / Equity (x)	0.0x	0.0x	0.0x	0.0x	0.0x	Inc/(Dec) in Current Liabilities	1,897	3,316	(11,079)	7,474	7,398
Interest Coverage (x)	162x	98x	23x	85x	171x	Changes in Inventory	(5)	(19)	65	(45)	(40)
Asset Turnover Ratios						Net Cash Generated From Operations	4,718	3,853	745	4,052	8,497
Debtors (Days)	111	110	246	83	93	Cash Flow from Investing Activities					
Creditors (Days)	65	62	96	53	59	(Inc)/Dec in Fixed Assets	(200)	(487)	(150)	(750)	(750)
Inventory (Days)	2	2	4	1	2	(Inc)/Dec in Capital Work In Progress	(327)	242	64	(167)	(180)
Valuation Ratios						Add: Non Operating Income	888	781	856	1,054	1,768
Book Value (Rs.)	67	83	90	110	150	Net Cash Flow from Investing Activities	356	(366)	770	137	838
P/E (x)	106	62	171	62	30	Cash Flow from Financing Activities					
P/BV (x)	30	25	23	18	14	Dividend Paid	(1,224)	(2,000)	(800)	(2,004)	(4,276)
EV/EBITDA (x)	82	44	162	45	22	Net Cash Flow from Financing Activities	(1,722)	(2,049)	(875)	(1,762)	(4,007)
Market Cap. / Sales (x)	17	14	42	15	9	Net Inc/Dec in cash equivalents	3,351	1,438	641	2,428	5,328
Net Cash / Mkt Cap (%)	4%	4%	4%	5%	6%	Opening Balance	8,339	11,400	12,964	14,208	15,866
Dividend Yield (%)	0%	1%	0%	1%	1%	Closing Cash and Cash Equivalents	11,690	12,838	13,605	16,636	21,195
Dividend Per Share	8	13	5	13	27						
EV	313984	312420	311176	309518	304926						
Market Cap	3,25,384	3,25,384	3,25,384	3,25,384	3,25,384						
Net Cash	11425	12967	14211	15869	20461						
Net Debt	-11400	-12964	-14208	-15866	-20458						
Dividend Payout Ratio (%)	40%	38%	42%	38%	40%						

Free Cash Flow Statement					
Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
EBITDA	3,807	7,134	1,915	6,894	13,903
FC Investment	146	245	150	750	750
WC Changes	2,610	-1,113	-460	-678	-1,022
Depreciation Tax Shield	102	116	126	124	150
Tax Expenses	1,700	2,168	710	2,163	4,384
FCF	4,674	3,724	721	3,427	7,897

Source: Dalal & Broacha Research, Company

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Name	Designation	Email	Phone	Sector
Mr. Kunal Bhatia	Head of Research	kunal.bhatia@dalal-broacha.com	022 671 41442	Auto Auto Ancillary FMCG
Mrs.Charulata Gaidhani	Sr. Analyst	charulata.gaidhani@dalal-broacha.com	022 671 41446	Pharma Healthcare
Mr. Mayank Babla	Sr. Analyst	mayank.babla@dalal-broacha.com	022 671 41412	IT Telecom Media
Mr. Avinash Tanawade	Sr. Analyst	avinash.tanawade@dalal-broacha.com	022 671 41449	BFSI
Mr. Akshay Ashok	Analyst	akshay.ashok@dalal-broacha.com	022 671 41486	BFSI
Ms. Timshar Dhamodiwala	Associate	timshar.dhamodiwala@dalal-broacha.com	022 671 41441	IT Telecom Media

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400021.

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

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