



IPO DETAILS

Issue Date	30 th Sept-03 rd Oct 2019
Price Band	315-320* per Share
Bid Lot	40 & in multiple there
Face Value	Rs 10/Share
Listing	BSE, NSE
Issue Size	20,160,000 Eq Shares
Pre Issue Eq Shares	160,000,000 Eq Shares
Post Issue Eq Shares	160,000,000 Eq Shares
BRLM	IDBI Capital markets & Securities Ltd, SBI Capital Markets Ltd, Yes Securities (India) Ltd
Registrar	Alankit Assignments Limited

***: Rs 10/share discount to Retail Investor & Employee**

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As a Central Public Sector Enterprise wholly owned by the Government of India and under the administrative control of the Ministry of Railways, company is the only entity authorized by Indian Railways to provide catering services to railways, online railway tickets and packaged drinking water at railway stations and trains in India. Company operate one of the most transacted websites, www.irctc.co.in, in the Asia-Pacific region with transaction volume averaging 25 to 28 million transactions per month during the five months ended August 31, 2019. Company have also diversified into other businesses, including non-railway catering and services such as e-catering, executive lounges and budget hotels, which are in line with company's objective to build a "one stop solution" for its customers.

Company is the only entity authorized by Indian Railways to offer railway tickets online through its website www.irctc.co.in and mobile application, "Rail Connect". During June 2019, an average of more than 1.40 million passengers reserved online tickets and travelled on Indian Railways every day. Approximately 72.60% of Indian Railways' tickets are booked online with an average of more than 0.84 million tickets booked through www.irctc.co.in and "Rail Connect" on a daily basis.

Working closely with the Central Government, company is an authorized entity to operate special election trains for movement of paramilitary forces across India for general and assembly elections. Company also operate state-special trains, and "pilgrim trains" for various state governments where the beneficiaries are selected by the respective state primarily senior citizens. This collaborative partnership with the Central and State Government provides company with additional revenues.

With the mandate from the Ministry of Railways to transfer catering services in their entirety to company under the Catering Policy 2017, company is now responsible for catering services in all mobile catering units (trains) and static units, except refreshment rooms at stations which are of Category B or below and other minor units operated by Indian Railways. The Catering Policy 2017, together with the existing range of products and services company offer, and exclusivity in railway catering has further expanded the scale of company's operations. With years of experience in catering to passengers on board the trains and at stations have provided company with deep knowledge of customers' expectations. Based on company's experience and customer feedback, company carefully design and adjust its catering products and services offering to suit company's customers' changing demands. Company's understanding of the market has enabled it to grow its business with improved passenger satisfaction.

Valuation

Company is bringing the issue at p/e multiple of approx. 18-19 at price band of 315-320/share(Discount of Rs 10/share to retail investor & employee). Company being the sole entity authorized by Indian Railways to offer railway tickets , to manufacture and distribute packaged drinking water & providing catering services at all railway stations and trains has generated healthy ROE since FY'17. Company with its profitable and debt free status along with strong dividend payout is looking attractive destination to deploy the funds in .Hence we recommend "Subscribe" on issue for listing gain as well as long term investment .



Currently, company operate in four business segments, namely, internet ticketing, catering, packaged drinking water under the “Rail Neer” brand, and travel and tourism:

Internet Ticketing: Company is the only entity authorized by Indian Railways to offer railway tickets online through its website and its mobile application. As of August 31, 2019, more than 1.40 million passengers travelled on Indian Railways on a daily basis, which consisted of approximately 72.60% of Indian Railways’ tickets booked online. As a result, there are more than 0.84 million tickets booked through www.irctc.co.in and “Rail Connect” on a daily basis. Company currently operate one of the most transacted websites in the Asia-Pacific region with a transaction volume of more than 25 million per month and 7.2 million logins per day. The booking of railway tickets through the internet is now available 24 hours per day, 365 day per year, with the only exception being daily maintenance closure from 23:45 hours to 00:20 hours.

Catering: Company provide food catering services to Indian Railway passengers on trains and at stations. On-board catering services are referred to as mobile catering and catering services at stations are referred to as static catering. Pursuant to the catering policy issued by Ministry of Railways dated February 27, 2017, (“**Catering Policy 2017**”), company provide catering services for approximately 350 pre-paid and post-paid trains and 530 static units. Company provide catering services through mobile catering units, base kitchens, cell kitchens, refreshment rooms, food plazas, food courts, train side vending, and Jan Ahaars over the Indian Railways network. All other catering units, such as refreshments rooms at stations categorized at B or below, AVMs, milk stalls, and trolleys are managed by zonal railways. Company also offer e-catering services to passengers through its mobile application “Food on Track” and company’s e catering website, www.ecatering.irctc.co.in. Company also operate executive lounges, budget hotels, and retiring rooms for the convenience of the travelling passengers on Indian Railways.

Packaged Drinking Water (Rail Neer): Company is the only entity authorized by the Ministry of Railways to manufacture and distribute packaged drinking water at all railway stations and on trains, according to CRISIL. Company manufacture and distribute packaged drinking water under brand “Rail Neer”. Currently, company operate ten Rail Neer plants located at Nangloi, Danapur, Palur, Ambernath, Amethi, Parassala, Bilaspur, Hapur, Ahmedabad and Bhopal, with an installed production capacity of approximately 1.09 million litres per day, which caters to approximately 45% of the current demand of packaged drinking water at railway premises and in trains. To increase its presence in the packaged drinking water market at railway stations, and to meet the growing demand, company is commissioning new Rail Neer plants at Sankrail, Jagi Road, Nagpur, Bhusawal, Jabalpur, and Una. Further four new Rail Neer plants have been approved by the Company’s Board of Directors and will be commissioned by 2021. Company have also installed water vending machines (“**WVMs**”) at railway stations to provide purified, chilled and portable drinking water to railway passengers at an affordable price.

Travel and Tourism: Company have been mandated by Indian Railways to provide tourism and travel related services. Company have footprints in across all major tourism segments such as hotel bookings, rail, land, cruise and air tour packages and air ticket bookings, and are known as one of India’s leading travel and tourism companies catering to the needs of diverse tourist segments. With the strength of being a CPSE under the administrative control of the Ministry of Railways, company specialize in rail tourism.



Authorised by the Ministry of Railways to offer Indian Railway tickets online

Company is the only entity authorized by Indian Railways to offer railway tickets online through its website www.irctc.co.in and mobile application, "Rail Connect". Between Fiscal 2014 and Fiscal 2019, online rail bookings have registered an approximately 12.5% CAGR to reach approximately 284 million annually, with e-booking penetration rising to approximately 70% in Fiscal 2019. Online rail bookings are expected to grow at approximately 8% CAGR to reach approximately 425-435 million in fiscal 2024, with e-booking penetration rising approximately 81 – 83% during the same period, according to CRISIL.

Comprehensive tourism and hospitality service provider in India

According to the World Travel and Tourism Council ("WTTC"), direct contribution of India's travel and tourism industry to GDP will grow by approximately 12%, and is expecting to reach approximately ₹11.7 trillion in 2024, driven by factors such as improved connectivity and affordability of air and rail travel, government policy initiatives for promoting domestic tourism, growing convenience of online travel bookings, and higher exposure to unexplored domestic and foreign tourist destinations due to social media. At present, company provide railway and non-railway packages such as rail tour packages, Bharat Darshan and Aastha tourist trains (budget trains), Maharajas' Express (luxury trains), Majestic tourist trains, AC tourist trains, theme based tourist trains, state special tourist trains, election special trains, land tour packages, charter trains and coaches, hill charters, educational tours, online air ticketing, corporate travel services (including corporate air ticketing and visa services), outbound air packages, domestic air packages, online and offline hotel booking services, cab rental services, customised packages and LTC packages.

Robust operating system and internal controls

Company have a robust operating system and internal controls that have enabled it to deliver quality products and services to its customers across different segments of its operation. For example, company routinely send supervisors to trains operated by company to closely monitor catering services, and with the online monitoring website launched by the Ministry of Railways in 2019, passengers can now access live feed online to watch how their meals are being cooked and packed at its kitchens. Further, company have empanelled professional agencies to conduct customer satisfaction surveys in order to attain better customer satisfaction, and company have taken steps to improve the quality of catering services, include attaining ISO certification. Over the years, company have implemented several well-tested systems and internal controls procedures.

Exclusively authorized for manufacturing and supplying packaged drinking water at railway station and trains

Company is the only entity authorized by the Ministry of Railways to manufacture and distribute packaged drinking water at all railway stations and trains, subject to availability of Rail Neer. Company have entered into an agreement with NTPC Limited ("NTPC") to develop a Rail Neer plant at Simhadri (Vishakhapatnam). Under this agreement, NTPC will supply raw water which will be converted from waste sea water through a multi-effect desalination system utilising wasteful hot flue gases. As of fiscal 2019, the share of organised segment in the PDW market is 60-65% whereas the share of unorganised segment in the market is 35-40%. Sustained growth in domestic and inbound tourism coupled with preference for packaged drinking water over tap water is expected to be a major driver for bottled water demand in India. The packaged drinking water market is expected to further grow by 16-17% CAGR and reach ₹ 180-185 billion in fiscal 2024. With the current mismatch in supply and demand, company have a significant opportunity to grow its business operation by making Rail Neer more accessible to general public at railway stations and on trains.



Diversifying and offering new services to the passengers of Indian Railways and others

Company is one of key strategic partners of Indian Railways in various value chains and strategies. Company strive to strengthen and enhance the services provided by Indian Railways, and tap opportunity presented by digital payments in the Indian economy which are growing at significant pace. Company transact payments of more than ₹360 billion annually through banks and payment aggregators. In order to capitalize on this opportunity both in house and beyond, company have implemented its own payment gateway platform named IRCTC e-Wallet, and are also developing additional payment tools to facilitate easy and efficient payment by its customers.

Continue to leverage the Government's policy relating to company's business

Since the implementation of Catering Policy 2017, company have worked as per the mandate given by the Ministry of Railways to address operational, quality and logistics issues in order to improve the catering service offered on trains and in stations, including upgrading of base kitchens. Company will continue to capture new opportunities arising from the Catering Policy 2017, such as the providing catering services on trains having pantry car service. In connection with this effort, company plan to strategically withdraw from certain loss making services such as event catering and refocus company's corporate resources on its core competence areas.

Strengthen products and services offering online

Company offer products and services on various online platforms, including www.irctc.co.in. To leverage the significant number of visitors on its website, company intend to continuously develop its online offerings with enhanced product design capabilities and other value added services in order to offer company's customers a personalised experience. Presently, visitors on company's websites, while looking for Indian Railways' tickets, catering services and tour packages, have the opportunity to purchase a variety of other products and/or services from third parties who advertise on company's website. In addition, to further expand company's customer base, company is in the process of incorporating mobile e-wallets services to company's payment options. Lastly, as part of company's new product offering and cross-selling effort, company is offering optional travel insurance for rail passengers. This scheme offers coverage of up to ₹1 million for death and permanent and total disability and ₹0.75 million for permanent partial disability for a premium payment of only 49 paise. As of August 31, 2019, more than 1,000million passengers of Indian Railways have opted for this travel insurance. The rise in number of internet users in India and related changes in their shopping habits, and better acceptance of internet as a convenient medium for making purchases, will allow company to leverage company's single platform strategy, and, at the same time, capture the needs of customers.

Strengthen operational efficiencies

In order for company's management to focus on development and expansion of company's core activities, company will continue to outsource non-core activities, such as installing WVMs at railway stations, and unbundling preparation, distribution, cleaning and maintenance in relation to catering services in order to achieve greater control and better efficiency.



Risk Factors:

Company's business and revenues are substantially dependent on Indian Railways. Any adverse change in policy of the Ministry of Railways may adversely affect company's business and results of operations.

Objects of Offer

The objects of the Offer are: (i) to carry out the disinvestment of 20,160,000 Equity Shares by the Selling Shareholder constituting 12.60% of company's paid up Equity Share capital Company; and (ii) to achieve the benefits of listing the Equity Shares on the Stock Exchanges. Company will not receive any proceeds from the Offer and all proceeds shall go to the Selling Shareholder.

Financial Statement

(Rs Cr)

Particulars	FY17	FY18	FY19
Total Income	1535.39	1470.46	1867.88
Operating Exp	1222.83	1197.36	1495.71
EBIDTA	312.55	273.10	372.17
EBIDTA Margin (%)	20.36	18.57	19.92
Other Income	67.47	99.10	88.78
Depreciation	22.41	23.66	28.64
EBIT	357.60	348.54	432.31
Interest	2.54	2.91	2.35
PBT	355.07	345.63	429.96
E/O Item	0.00	0.00	0.00
PBT After E/O Item	355.07	345.63	429.96
Sh of Profit in JV	0.00	0.00	0.00
PBT	355.07	345.63	429.96
Tax	125.99	125.01	157.37
PAT	229.08	220.62	272.59
Other Comp Inc	0.00	0.00	0.00
Adjusted PAT	229.08	220.62	272.59
NPM(%)	14.92	15.00	14.59
Eq Capital	40.00	40.00	160.00
Res & Surplus	746.56	914.53	882.84
Non Con Int	0.00	0.00	0.00
Net Worth	786.56	954.53	1,042.84
Eq Shares (In No)	4.00	4.00	16.00
EPS	57.27	55.15	17.04
ROE (%)	29.12	23.11	26.14
ROCE (%)	45.14	36.21	41.23
Book Value	196.64	238.63	65.18

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