

November 13, 2020

## Q2FY21 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
<b>Rating</b>	<b>BUY</b>		<b>BUY</b>	
<b>Target Price</b>	<b>1,629</b>		<b>1,647</b>	
Sales (Rs. m)	28,558	31,588	28,919	32,054
% Chng.	(1.2)	(1.5)		
EBITDA (Rs. m)	10,215	11,429	10,487	11,714
% Chng.	(2.6)	(2.4)		
EPS (Rs.)	51.0	57.2	51.3	57.7
% Chng.	(0.6)	(0.8)		

### Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	22,755	6,810	28,558	31,588
EBITDA (Rs. m)	7,134	193	10,215	11,429
Margin (%)	31.4	2.8	35.8	36.2
PAT (Rs. m)	5,263	522	8,154	9,154
EPS (Rs.)	32.9	3.3	51.0	57.2
Gr. (%)	125.1	(90.1)	1,460.7	12.3
DPS (Rs.)	12.5	1.8	15.3	17.2
Yield (%)	0.9	0.1	1.1	1.2
RoE (%)	44.4	3.8	48.5	40.0
RoCE (%)	56.8	(1.5)	58.2	47.7
EV/Sales (x)	9.1	29.8	7.2	6.4
EV/EBITDA (x)	29.1	1,052.2	20.1	17.6
PE (x)	41.9	422.6	27.1	24.1
P/BV (x)	16.6	15.8	11.2	8.5

### Key Data

INIR.BO | IRCTC IN

52-W High / Low	Rs.1,995 / Rs.775
Sensex / Nifty	43,357 / 12,691
Market Cap	Rs.221bn/ \$ 2,958m
Shares Outstanding	160m
3M Avg. Daily Value	Rs.1565.08m

### Shareholding Pattern (%)

Promoter's	87.40
Foreign	0.88
Domestic Institution	1.65
Public & Others	10.07
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	3.4	0.8	47.9
Relative	(3.2)	(27.0)	37.6

Jinesh Joshi

jineshjoshi@plindia.com | 91-22-66322238

## Engine expected to be back on TRACK soon

### Quick Pointers:

- Convenience fee on internet ticketing stood at Rs372mn.
- Exceptional gain of Rs424mn aids profits. Adjusting for it, IRCTC reported net loss of Rs97mn.
- Cash on books is ~15.3bn.

**We cut our FY21E EPS estimates by 50% given the uncertainty in timeline regarding complete resumption of rail services. However, our FY22E/FY23E estimates are broadly intact as 1) resumption of Tejas Express from 17<sup>th</sup> Oct and 2) increase in convenience revenue to ~25% of the pre-COVID levels in 2QFY21 signal that normalcy is expected to resume within next 6-8 months. We thus expect sharp bounce back in FY22E as capacity expansion of Rail Neer and the impact of price hike announced in catering will play out by then. However, given the current situation we expect IT & pantry car modernization capex plan to get delayed and have tweaked our assumptions accordingly. We now expect IT capex outgo of Rs2bn odd to be spread over 3 years versus 2 years in the earlier case, with no spends whatsoever in FY21E.**

**We believe IRCTC is a perfect play on the unlocking theme with gradual relaxations in travel restrictions. 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 maintain BUY with revised TP of Rs1,629 (earlier Rs1,647) by valuing the stock at a P/E multiple 28.5x (no change) our estimated FY23E EPS of Rs57.**

**Top-line falters due to suspension of train services:** Revenues declined 82.7% YoY to Rs886mn (PLe of Rs1,211mn) as railway operations remained suspended (only partial services were operational) due to COVID-19. Revenues from Internet Ticketing declined 50.3% YoY to Rs583mn (convenience fee revenue of Rs372mn). Catering revenues declined 93.6% YoY to Rs172mn. Rail Neer sales declined 83.1% YoY to Rs92mn while Tourism & State Teertha revenues were worst hit registering a decline of 94.8% YoY to Rs39mn.

**EBITDA loss stood at Rs56mn:** IRCTC reported an EBITDA loss of Rs56mn (PLe loss of Rs132mn). Except for Internet Ticketing which reported EBIT of Rs613mn (has low fixed overheads), the other 3 segments viz; Catering, Rail Neer and Tourism & State Teertha reported EBIT loss of Rs205mn/Rs23mn/Rs87mn respectively due to limited absorption of fixed cost in lockdown.

**PAT falls 67.3% YoY:** PAT declined 67.3% YoY to Rs326mn. However, after adjusting for exceptional gain of Rs424mn (excess provisions of Rs258mn relating to performance related pay and Rs164mn relating to claim made on railways) loss stood at Rs97mn (PLe PAT of Rs9mn).



## Exhibit 1: Q2FY21 Result Overview (Rs mn)

Y/e March	Q2FY21	Q2FY20	YoY gr.	Q1FY21	QoQ gr.	H1FY21	H1FY20	YoY gr.
<b>Net sales</b>	<b>886</b>	<b>5,134</b>	<b>-82.7%</b>	<b>1,313</b>	<b>-32.6%</b>	<b>2,199</b>	<b>9,726</b>	<b>-77.4%</b>
Total raw material cost	46	361	-87.1%	87	-46.3%	133	764	-82.6%
<i>As a % of sales</i>	<i>5.2%</i>	<i>7.0%</i>		<i>6.6%</i>		<i>6.0%</i>	<i>7.9%</i>	
Expenses of catering	68	1,710	-96.0%	689	-90.1%	756	3,462	-78.1%
<i>As a % of sales</i>	<i>7.7%</i>	<i>33.3%</i>		<i>52.4%</i>		<i>34.4%</i>	<i>35.6%</i>	
Expenses of tourism	32	542	-94.2%	25	26.8%	57	886	-93.6%
<i>As a % of sales</i>	<i>3.6%</i>	<i>10.6%</i>		<i>1.9%</i>		<i>2.6%</i>	<i>9.1%</i>	
Manufacturing & direct expenses	114	228	-49.7%	125	-8.4%	239	466	-48.7%
<i>As a % of sales</i>	<i>12.9%</i>	<i>4.4%</i>		<i>9.5%</i>		<i>10.9%</i>	<i>4.8%</i>	
Employee expenses	509	593	-14.2%	496	2.6%	1,005	1,148	-12.5%
<i>As a % of sales</i>	<i>57.5%</i>	<i>11.5%</i>		<i>37.8%</i>		<i>45.7%</i>	<i>11.8%</i>	
Other expenses	172	277	-37.8%	331	-48.0%	503	541	-7.0%
<i>As a % of sales</i>	<i>19.4%</i>	<i>5.4%</i>		<i>25.2%</i>		<i>22.9%</i>	<i>5.6%</i>	
<b>EBITDA</b>	<b>(56)</b>	<b>1,424</b>	<b>NM</b>	<b>(439)</b>	<b>NM</b>	<b>(494)</b>	<b>2,458</b>	<b>NM</b>
<i>EBITDA margin</i>	<i>NM</i>	<i>27.7%</i>		<i>NM</i>		<i>NM</i>	<i>25.3%</i>	
Depreciation	89	88	1.7%	90	-0.7%	179	173	3.8%
<b>EBIT</b>	<b>(145)</b>	<b>1,336</b>	<b>NM</b>	<b>(529)</b>	<b>NM</b>	<b>(674)</b>	<b>2,285</b>	<b>NM</b>
EBIT margin	NM	26.0%		NM		NM	23.5%	
Interest cost	13	12	10.5%	17	-20.6%	30	24	24.8%
Other income	202	218	-7.3%	251	-19.8%	453	391	15.8%
<b>PBT</b>	<b>43</b>	<b>1,542</b>	<b>-97.2%</b>	<b>(294)</b>	<b>NM</b>	<b>(251)</b>	<b>2,652</b>	<b>NM</b>
Exceptional items	424	-	NM	0	NM	424	7	5919.7%
Tax expenses	140	544	-74.2%	(48)	NM	93	938	-90.1%
<i>Tax rate</i>	<i>30.1%</i>	<i>35.3%</i>		<i>NM</i>		<i>53.6%</i>	<i>35.3%</i>	
<b>PAT</b>	<b>326</b>	<b>998</b>	<b>-67.3%</b>	<b>(246)</b>	<b>NM</b>	<b>80.3</b>	<b>1,722</b>	<b>-95.3%</b>
<i>PAT margin</i>	<i>36.9%</i>	<i>19.4%</i>		<i>NM</i>		<i>3.7%</i>	<i>17.7%</i>	
<b>EPS (Rs)</b>	<b>2.0</b>	<b>6.2</b>	<b>-67.3%</b>	<b>(1.5)</b>	<b>NM</b>	<b>0.5</b>	<b>10.8</b>	<b>-95.4%</b>
<b>Adj. PAT</b>	<b>(97)</b>	<b>998</b>	<b>NM</b>	<b>(246)</b>	<b>NM</b>	<b>(343)</b>	<b>1,715</b>	<b>NM</b>

Source: Company, PL



## Exhibit 2: Segmental Breakup (Rs mn)

Y/e March	Q2FY21	Q2FY20	YoY gr.	Q1FY21	QoQ gr.
<b>Catering</b>					
Revenue	172	2,667	-93.6%	899	-80.9%
<i>As a % of sales</i>	<i>19.4%</i>	<i>52.0%</i>		<i>68.5%</i>	
EBIT	(205)	298	NM	(487)	NM
<i>EBIT margin</i>	<i>NM</i>	<i>11.2%</i>		<i>NM</i>	
<b>Internet ticketing</b>					
Revenue	583	1,172	-50.3%	352	65.5%
<i>As a % of sales</i>	<i>65.8%</i>	<i>22.8%</i>		<i>26.8%</i>	
EBIT	613	919	-33.2%	92	569.4%
<i>EBIT margin</i>	<i>105.2%</i>	<i>78.4%</i>		<i>26.0%</i>	
<b>Tourism</b>					
Revenue	39	507	-92.4%	30	30.5%
<i>As a % of sales</i>	<i>4.4%</i>	<i>9.9%</i>		<i>2.2%</i>	
EBIT	(87)	12	NM	(80)	NM
<i>EBIT margin</i>	<i>NM</i>	<i>2.4%</i>		<i>NM</i>	
<b>State Teertha</b>					
Revenue	-	239	NM	-	NM
<i>As a % of sales</i>	<i>0.0%</i>	<i>4.7%</i>		<i>0.0%</i>	
EBIT	-	57	NM	-	NM
<i>EBIT margin</i>	<i>NM</i>	<i>24.0%</i>		<i>NM</i>	
<b>Rail Neer</b>					
Revenue	92	548	-83.1%	33	184.2%
<i>As a % of sales</i>	<i>10.4%</i>	<i>10.7%</i>		<i>2.5%</i>	
EBIT	(23)	100	NM	(5)	NM
<i>EBIT margin</i>	<i>NM</i>	<i>18.3%</i>		<i>NM</i>	
<b>Total revenues</b>	<b>886</b>	<b>5,134</b>	<b>-82.7%</b>	<b>1,313</b>	<b>-32.6%</b>

Source: Company, PL Note: Segmental EBIT includes allocation of exceptional gains of Rs424mn.



## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>22,755</b>	<b>6,810</b>	<b>28,558</b>	<b>31,588</b>
YoY gr. (%)	21.7	(70.1)	319.4	10.6
Cost of Goods Sold	1,378	380	2,105	2,504
Gross Profit	21,377	6,430	26,453	29,084
Margin (%)	93.9	94.4	92.6	92.1
Employee Cost	2,440	2,179	2,542	2,780
Other Expenses	1,240	1,158	1,456	1,516
<b>EBITDA</b>	<b>7,134</b>	<b>193</b>	<b>10,215</b>	<b>11,429</b>
YoY gr. (%)	86.2	(97.3)	5,205.1	11.9
Margin (%)	31.4	2.8	35.8	36.2
Depreciation and Amortization	399	391	442	523
<b>EBIT</b>	<b>6,735</b>	<b>(199)</b>	<b>9,773</b>	<b>10,906</b>
Margin (%)	29.6	(2.9)	34.2	34.5
Net Interest	73	54	51	51
Other Income	781	950	1,150	1,350
<b>Profit Before Tax</b>	<b>7,442</b>	<b>1,120</b>	<b>10,872</b>	<b>12,206</b>
Margin (%)	32.7	16.5	38.1	38.6
Total Tax	2,168	174	2,718	3,051
Effective tax rate (%)	29.1	15.5	25.0	25.0
<b>Profit after tax</b>	<b>5,275</b>	<b>946</b>	<b>8,154</b>	<b>9,154</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>5,263</b>	<b>522</b>	<b>8,154</b>	<b>9,154</b>
YoY gr. (%)	125.1	(90.1)	1,460.7	12.3
Margin (%)	23.1	7.7	28.6	29.0
Extra Ord. Income / (Exp)	11	424	-	-
<b>Reported PAT</b>	<b>5,275</b>	<b>946</b>	<b>8,154</b>	<b>9,154</b>
YoY gr. (%)	94.5	(82.1)	761.7	12.3
Margin (%)	23.2	13.9	28.6	29.0
Other Comprehensive Income	(37)	9	-	-
Total Comprehensive Income	5,238	955	8,154	9,154
<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>3.3</b>	<b>51.0</b>	<b>57.2</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>4,768</b>	<b>5,131</b>	<b>5,831</b>	<b>6,731</b>
Tangibles	4,295	4,659	5,359	6,259
Intangibles	473	473	473	473
<b>Acc: Dep / Amortization</b>	<b>2,208</b>	<b>2,599</b>	<b>3,041</b>	<b>3,564</b>
Tangibles	1,779	2,170	2,612	3,135
Intangibles	429	429	429	429
<b>Net fixed assets</b>	<b>2,560</b>	<b>2,532</b>	<b>2,790</b>	<b>3,167</b>
Tangibles	2,517	2,489	2,747	3,124
Intangibles	43	43	43	43
Capital Work In Progress	162	177	177	177
Goodwill	-	-	-	-
Non-Current Investments	277	278	278	278
Net Deferred tax assets	657	766	870	976
Other Non-Current Assets	263	306	400	442
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	98	37	156	173
Trade receivables	7,894	2,239	8,372	9,260
Cash & Bank Balance	12,964	18,207	15,698	20,119
Other Current Assets	6,025	4,539	7,806	8,579
<b>Total Assets</b>	<b>32,498</b>	<b>30,150</b>	<b>37,660</b>	<b>44,404</b>
<b>Equity</b>				
Equity Share Capital	1,600	1,600	1,600	1,600
Other Equity	11,678	12,349	18,057	24,465
<b>Total Network</b>	<b>13,278</b>	<b>13,949</b>	<b>19,657</b>	<b>26,065</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	489	545	714	790
Other non current liabilities	78	82	86	95
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,695	504	2,113	2,337
Other current liabilities	16,168	14,594	14,805	14,802
<b>Total Equity &amp; Liabilities</b>	<b>32,498</b>	<b>30,150</b>	<b>37,660</b>	<b>44,404</b>

Source: Company Data, PL Research



## Indian Railway Catering and Tourism Corporation

### Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	7,454	697	10,872	12,206
Add. Depreciation	399	391	442	523
Add. Interest	-	-	-	-
Less Financial Other Income	781	950	1,150	1,350
Add. Other	(456)	433	-	-
Op. profit before WC changes	7,397	1,521	11,313	12,729
Net Changes-WC	(774)	4,559	(7,958)	(1,610)
Direct tax	(2,569)	(174)	(2,718)	(3,051)
<b>Net cash from Op. activities</b>	<b>4,053</b>	<b>5,906</b>	<b>637</b>	<b>8,068</b>
Capital expenditures	(348)	(416)	(700)	(900)
Interest / Dividend Income	661	-	-	-
Others	(191)	36	-	-
<b>Net Cash from Inv. activities</b>	<b>122</b>	<b>(380)</b>	<b>(700)</b>	<b>(900)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(2,681)	(284)	(2,446)	(2,746)
Interest paid	-	-	-	-
Others	(121)	-	-	-
<b>Net cash from Fin. activities</b>	<b>(2,802)</b>	<b>(284)</b>	<b>(2,446)</b>	<b>(2,746)</b>
<b>Net change in cash</b>	<b>1,373</b>	<b>5,242</b>	<b>(2,509)</b>	<b>4,421</b>
Free Cash Flow	3,700	5,490	(63)	7,168

Source: Company Data, PL Research

### Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	32.9	3.3	51.0	57.2
CEPS	35.4	5.7	53.7	60.5
BVPS	83.0	87.2	122.9	162.9
FCF	23.1	34.3	(0.4)	44.8
DPS	12.5	1.8	15.3	17.2
<b>Return Ratio(%)</b>				
RoCE	56.8	(1.5)	58.2	47.7
ROIC	(429.6)	3.7	663.0	298.3
RoE	44.4	3.8	48.5	40.0
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(1.0)	(1.3)	(0.8)	(0.8)
Net Working Capital (Days)	101	95	82	82
<b>Valuation(x)</b>				
PER	41.9	422.6	27.1	24.1
P/B	16.6	15.8	11.2	8.5
P/CEPS	39.0	241.6	25.7	22.8
EV/EBITDA	29.1	1,052.2	20.1	17.6
EV/Sales	9.1	29.8	7.2	6.4
Dividend Yield (%)	0.9	0.1	1.1	1.2

Source: Company Data, PL Research

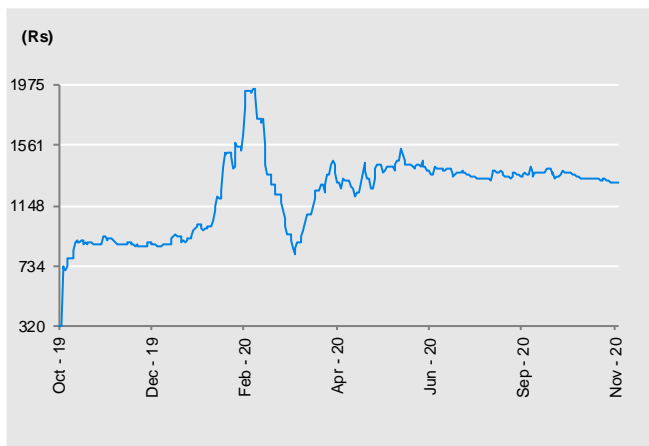
### Quarterly Financials (Rs m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
<b>Net Revenue</b>	<b>7,160</b>	<b>5,869</b>	<b>1,313</b>	<b>886</b>
YoY gr. (%)	64.6	17.9	(71.4)	(82.7)
Raw Material Expenses	362	252	87	46
Gross Profit	6,798	5,617	1,227	839
Margin (%)	94.9	95.7	93.4	94.8
<b>EBITDA</b>	<b>2,657</b>	<b>2,019</b>	<b>(439)</b>	<b>(56)</b>
YoY gr. (%)	168.7	185.9	NA	NA
Margin (%)	37.1	34.4	NA	NA
Depreciation / Depletion	123	104	90	89
<b>EBIT</b>	<b>2,534</b>	<b>1,915</b>	<b>(529)</b>	<b>(145)</b>
Margin (%)	35.4	32.6	NA	NA
Net Interest	20	29	17	13
Other Income	190	199	251	202
<b>Profit before Tax</b>	<b>2,704</b>	<b>2,086</b>	<b>(294)</b>	<b>43</b>
Margin (%)	37.8	35.5	NA	4.9
Total Tax	646	584	(48)	140
Effective tax rate (%)	23.9	28.0	16.3	325.8
<b>Profit after Tax</b>	<b>2,058</b>	<b>1,502</b>	<b>(246)</b>	<b>(97)</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>2,058</b>	<b>1,506</b>	<b>(246)</b>	<b>(97)</b>
YoY gr. (%)	179.6	223.3	NA	NA
Margin (%)	28.7	25.7	NA	NA
Extra Ord. Income / (Exp)	-	-	-	424
<b>Reported PAT</b>	<b>2,058</b>	<b>1,506</b>	<b>(246)</b>	<b>326</b>
YoY gr. (%)	179.6	223.3	NA	NA
Margin (%)	28.7	25.7	NA	36.9
Other Comprehensive Income	(3)	(7)	(6)	15
<b>Total Comprehensive Income</b>	<b>2,055</b>	<b>1,499</b>	<b>(252)</b>	<b>341</b>
Avg. Shares O/s (m)	160	160	160	160
<b>EPS (Rs)</b>	<b>12.9</b>	<b>9.4</b>	<b>(1.5)</b>	<b>(0.6)</b>

Source: Company Data, PL Research



## Price Chart



## Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Oct-20	BUY	1,647	1,356
2	14-Sep-20	BUY	1,645	1,368
3	11-Jul-20	Accumulate	1,495	1,401
4	16-Apr-20	BUY	1,428	1,292
5	24-Mar-20	BUY	1,656	858
6	14-Feb-20	BUY	1,656	1,580
7	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)	Accumulate	185	146
3	Indian Railway Catering and Tourism Corporation	BUY	1,647	1,356
4	Inox Leisure	BUY	322	267
5	Music Broadcast	Hold	20	21
6	Navneet Education	Accumulate	93	79
7	PVR	Accumulate	1,435	1,255
8	S Chand and Company	BUY	89	66
9	V.I.P. Industries	Accumulate	333	292

## 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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**3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209**

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