

November 15, 2022

Q2FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	679		635	
Sales (Rs. m)	37,437	40,201	36,759	39,398
% Chng.	1.8	2.0		
EBITDA (Rs. m)	14,181	15,243	13,094	14,204
% Chng.	8.3	7.3		
EPS (Rs.)	13.5	14.5	12.7	13.7
% Chng.	6.7	5.7		

Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	18,795	34,214	37,437	40,201
EBITDA (Rs. m)	8,795	12,869	14,181	15,243
Margin (%)	46.8	37.6	37.9	37.9
PAT (Rs. m)	6,665	9,838	10,804	11,594
EPS (Rs.)	8.3	12.3	13.5	14.5
Gr. (%)	(10.5)	47.6	9.8	7.3
DPS (Rs.)	3.5	3.7	4.1	4.3
Yield (%)	0.5	0.5	0.5	0.6
RoE (%)	39.9	44.1	36.6	31.0
RoCE (%)	49.7	55.0	45.6	38.6
EV/Sales (x)	30.6	16.8	15.1	13.8
EV/EBITDA (x)	65.4	44.6	39.9	36.5
PE (x)	88.9	60.2	54.8	51.1
P/BV (x)	31.5	23.0	17.8	14.3

Key Data

INIR.BO | IRCTC IN

52-W High / Low	Rs.930 / Rs.557
Sensex / Nifty	61,873 / 18,403
Market Cap	Rs.593bn/ \$ 7,306m
Shares Outstanding	800m
3M Avg. Daily Value	Rs.2549.43m

Shareholding Pattern (%)

Promoter's	67.40
Foreign	5.81
Domestic Institution	5.57
Public & Others	21.23
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	2.5	13.6	(18.0)
Relative	(4.1)	(3.0)	(19.5)

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Indian Railway Catering and Tourism Corporation (IRCTC IN)

Rating: HOLD | CMP: Rs741 | TP: Rs679

Growth versus valuation conundrum

Quick Pointers:

- 106.9mn tickets were booked online resulting in convenience fee income of Rs2bn in 2QFY23.
- Ticketing share of 2S class was 13% in 2QFY23.

IRCTC's top-line/PAT was 6%/9% below our estimates due to lower than expected revenue from catering & rail neer division coupled with EBIT losses of Rs99mn in tourism segment.

Despite weaker than expected results we increase our EPS estimates by ~6-7% over FY23-FY25E as we realign our sales and margin assumptions for internet ticketing division given continued traction in non-convenience revenue. As FY23E is likely to witness majority of the benefits of catering price hike & rail neer expansion, growth challenges would emerge going ahead, given 2S reversal is already into effect now. Accordingly, we expect sales/PAT CAGR of 8%/9% respectively over FY23-FY25E. IRCTC trades at 55x/51x our FY24E/FY25E EPS estimates and we believe current valuations are pricey in absence of meaningful growth levers. Consequently, we maintain our HOLD rating on the stock with a DCF based TP of Rs679. At our TP, stock is implicitly valued at 48.5x Sep-FY24EPS of Rs14.

Revenue declines 5.5% QoQ: Revenues increased 99% YoY to Rs8,058mn (PLe of Rs8,569mn) due to base effect but declined 5.5% on sequential basis. Revenues from Internet Ticketing/Catering/Rail Neer/Tourism increased 13.2% YoY/368.4% YoY/75% YoY/156.7% YoY to Rs3,003mn/Rs3,344mn/Rs721mn/Rs695mn respectively.

Tourism, the only segment, into losses: EBITDA increased 44.1% YoY to Rs3,049mn (PLe Rs3,211mn) with a margin of 37.8% (PLe of 37.5%) as against 52.2% in 2QFY22. Tourism segment reported loss while Internet ticketing/Catering/Rail Neer reported EBIT margin of 84.2%/10.6%/7.5% respectively.

Con-call highlights: 1) TSV/pantry car split was 715/450. Currently, TSV tender for 200 trains is in pipeline. 2) Existing rail neer capacity is 1.55mn bottles per day (mbpd). With commissioning of 2 plants the capacity will be 1.75mbpd in FY23E. Additionally in FY24E, 2 more plants will be commissioned leading to total capacity of 1.84mbpd. 3) Contribution of service charges/agent fee/l-pay/ad revenue to non-convenience income was 6%/12.5%/5.3%/6% respectively. 4) Tourism EBITDA margins are expected to be at 7-8% 5) Bus ticketing revenue was Rs100mn in 1HFY23. 6) Air ticketing revenue was Rs50mn in 2QFY23. 7) In 1HFY23, revenue/PAT of Tejas Express stood at 740mn/93mn respectively. 8) Share of UPI bookings is 27%. 9) Revenue/PAT from I-Pay was Rs320mn/Rs92mn in 1HFY23. 10) Capex outlay is expected to be Rs2.5bn for new office and Rs1bn for IT upgradation. 11) Capacity utilization of rail neer was ~75% in 2QFY23.



Exhibit 1: Q2FY23 Result Overview (Rs mn)

Y/e March	2QFY23	2QFY22	YoY gr.	1QFY23	QoQ gr.	1HFY23	1HFY22	YoY gr.
Net sales	8,058	4,049	99.0	8,526	-5.5	16,584	6,483	155.8
Total raw material cost	445	212	109.9	496	-10.2	941	408	130.5
As a % of sales	5.5	5.2		5.8		5.7	6.3	
Expenses of catering	2,351	281	738.0	2,616	-10.1	4,966	471	954.8
As a % of sales	29.2	6.9		30.7		29.9	7.3	
Expenses of tourism	864	302	185.8	904	-4.5	1,768	392	351.3
As a % of sales	10.7	7.5		10.6		10.7	6.0	
Manufacturing & direct expenses	370	255	45.1	434	-14.7	804	441	82.4
As a % of sales	4.6	6.3		5.1		4.9	6.8	
Employee expenses	664	681	-2.5	553	20.0	1,217	1,164	4.6
As a % of sales	8.2	16.8		6.5		7.3	17.9	
Other expenses	316	203	55.2	313	0.8	629	377	66.6
As a % of sales	3.9	5.0		3.7		3.8	5.8	
EBITDA	3,049	2,115	44.1	3,209	-5.0	6,258	3,230	93.7
EBITDA margin	37.8	52.2		37.6		37.7	49.8	
Depreciation	186	118	57.1	136	36.8	321	230	39.4
EBIT	2,863	1,997	43.4	3,074	-6.9	5,937	3,000	97.9
EBIT margin	35.5	49.3		36.1		35.8	46.3	
Interest cost	48	21	128.2	25	94.8	73	59	24.1
Other income	260	161	61.2	244	6.5	504	307	64.2
PBT	3,075	2,137	43.9	3,293	-6.6	6,368	3,248	96.1
Exceptional items	-	-	NM	-	NM	-	-	NM
Tax expenses	814	551	47.7	838	-2.8	1,652	837	97.5
Tax rate	26.5	25.8		25.4		25.9	25.8	
PAT	2,260	1,586	42.5	2,455	-7.9	4,716	2,411	95.6
PAT margin	28.1	39.2		28.8		28.4	37.2	
EPS (Rs)	2.8	2.0	42.5	3.1	-7.9	5.9	3.0	95.6
Adj. PAT	2,260	1,586	42.5	2,455	-7.9	4,716	2,411	95.6

Source: Company, PL

Exhibit 2: Segmental Breakup (Rs mn)

Y/e March	2QFY23	2QFY22	YoY gr.	1QFY23	QoQ gr.
Catering					
Revenue	3,344	714	368.4%	3,522	-5.0%
As a % of sales	41.5%	17.6%		41.3%	
EBIT	354	(2)	NM	422	-16.2%
EBIT margin	10.6%	NM		12.0%	
Internet ticketing					
Revenue	3,003	2,653	13.2%	3,017	-0.5%
As a % of sales	37.3%	65.5%		35.4%	
EBIT	2,528	2,203	14.7%	2,549	-0.9%
EBIT margin	84.2%	83.1%		84.5%	
Tourism					
Revenue	695	271	156.7%	819	-15.2%
As a % of sales	8.6%	6.7%		9.6%	
EBIT	(99)	(212)	NM	9	NM
EBIT margin	NM	NM		1.1%	
State Teertha					
Revenue	296	-	NM	332	-10.8%
As a % of sales	3.7%	NM		3.9%	
EBIT	44	-	NM	64	-30.9%
EBIT margin	14.9%	NM		19.2%	
Rail Neer					
Revenue	721	412	75.0%	836	-13.9%
As a % of sales	8.9%	10.2%		9.8%	
EBIT	54	28	93.3%	92	-41.3%
EBIT margin	7.5%	6.8%		11.0%	
Total revenues	8,058	4,049	99.0%	8,526	-5.5%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	18,795	34,214	37,437	40,201
YoY gr. (%)	142.0	82.0	9.4	7.4
Cost of Goods Sold	1,055	2,117	2,446	2,603
Gross Profit	17,740	32,098	34,991	37,598
Margin (%)	94.4	93.8	93.5	93.5
Employee Cost	2,374	2,395	2,621	2,814
Other Expenses	1,082	1,437	1,572	1,688
EBITDA	8,795	12,869	14,181	15,243
YoY gr. (%)	365.4	46.3	10.2	7.5
Margin (%)	46.8	37.6	37.9	37.9
Depreciation and Amortization	490	615	725	824
EBIT	8,305	12,254	13,456	14,420
Margin (%)	44.2	35.8	35.9	35.9
Net Interest	111	137	150	161
Other Income	728	1,000	1,100	1,200
Profit Before Tax	8,895	13,118	14,406	15,459
Margin (%)	47.3	38.3	38.5	38.5
Total Tax	2,258	3,279	3,601	3,865
Effective tax rate (%)	25.4	25.0	25.0	25.0
Profit after tax	6,637	9,838	10,804	11,594
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	6,665	9,838	10,804	11,594
YoY gr. (%)	347.7	47.6	9.8	7.3
Margin (%)	35.5	28.8	28.9	28.8
Extra Ord. Income / (Exp)	(28)	-	-	-
Reported PAT	6,637	9,838	10,804	11,594
YoY gr. (%)	254.9	48.2	9.8	7.3
Margin (%)	35.3	28.8	28.9	28.8
Other Comprehensive Income	44	23	-	-
Total Comprehensive Income	6,681	9,861	10,804	11,594
Equity Shares O/s (m)	800	800	800	800
EPS (Rs)	8.3	12.3	13.5	14.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	5,367	7,967	8,967	9,867
Tangibles	5,235	7,834	8,834	9,734
Intangibles	132	132	132	132
Acc: Dep / Amortization	2,283	2,897	3,622	4,446
Tangibles	2,204	2,819	3,543	4,367
Intangibles	79	79	79	79
Net fixed assets	3,085	5,069	5,344	5,421
Tangibles	3,031	5,016	5,291	5,367
Intangibles	54	54	54	54
Capital Work In Progress	262	262	262	262
Goodwill	-	-	-	-
Non-Current Investments	273	273	273	273
Net Deferred tax assets	947	1,181	1,152	1,237
Other Non-Current Assets	495	547	524	523
Current Assets				
Investments	-	-	-	-
Inventories	79	187	205	220
Trade receivables	5,726	11,249	12,103	12,666
Cash & Bank Balance	17,316	19,170	26,650	35,985
Other Current Assets	9,159	9,355	9,417	9,200
Total Assets	38,372	48,490	57,241	67,193
Equity				
Equity Share Capital	1,600	1,600	1,600	1,600
Other Equity	17,239	24,148	31,711	39,827
Total Network	18,839	25,748	33,311	41,427
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	544	684	749	804
Other non current liabilities	70	137	112	121
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	6,786	8,436	9,231	9,913
Other current liabilities	11,060	11,519	11,808	12,643
Total Equity & Liabilities	38,372	48,490	57,241	67,193

Source: Company Data, PL Research



Indian Railway Catering and Tourism Corporation

Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	8,895	13,118	14,406	15,459
Add. Depreciation	490	615	725	824
Add. Interest	-	-	-	-
Less Financial Other Income	728	1,000	1,100	1,200
Add. Other	(600)	23	-	-
Op. profit before WC changes	8,785	13,755	15,131	16,283
Net Changes-WC	(760)	(3,787)	192	1,296
Direct tax	(2,787)	(3,279)	(3,601)	(3,865)
Net cash from Op. activities	5,237	6,689	11,722	13,714
Capital expenditures	(213)	(1,200)	(1,000)	(900)
Interest / Dividend Income	547	-	-	-
Others	(2,758)	(1,399)	-	-
Net Cash from Invt. activities	(2,424)	(2,599)	(1,000)	(900)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(2,400)	(2,951)	(3,241)	(3,478)
Interest paid	-	-	-	-
Others	(181)	716	-	-
Net cash from Fin. activities	(2,581)	(2,235)	(3,241)	(3,478)
Net change in cash	232	1,854	7,480	9,335
Free Cash Flow	5,018	5,489	10,722	12,814

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	8.3	12.3	13.5	14.5
CEPS	8.9	13.1	14.4	15.5
BVPS	23.5	32.2	41.6	51.8
FCF	6.3	6.9	13.4	16.0
DPS	3.5	3.7	4.1	4.3
Return Ratio(%)				
RoCE	49.7	55.0	45.6	38.6
ROIC	(1,004.0)	294.2	350.5	781.5
RoE	39.9	44.1	36.6	31.0
Balance Sheet				
Net Debt : Equity (x)	(0.9)	(0.7)	(0.8)	(0.9)
Net Working Capital (Days)	(19)	32	30	27
Valuation(x)				
PER	88.9	60.2	54.8	51.1
P/B	31.5	23.0	17.8	14.3
P/CEPS	82.8	56.7	51.4	47.7
EV/EBITDA	65.4	44.6	39.9	36.5
EV/Sales	30.6	16.8	15.1	13.8
Dividend Yield (%)	0.5	0.5	0.5	0.6

Source: Company Data, PL Research

Quarterly Financials (Rs m)

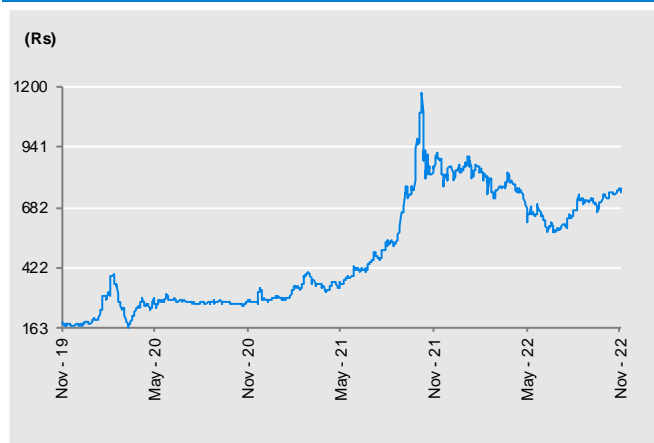
Y/e Mar	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Net Revenue	5,402	6,910	8,526	8,058
YoY gr. (%)	140.8	104.0	250.3	99.0
Raw Material Expenses	254	393	496	445
Gross Profit	5,148	6,517	8,030	7,613
Margin (%)	95.3	94.3	94.2	94.5
EBITDA	2,792	2,773	3,209	3,049
YoY gr. (%)	195.0	89.5	187.8	44.1
Margin (%)	51.7	40.1	37.6	37.8
Depreciation / Depletion	118	142	136	186
EBIT	2,674	2,631	3,074	2,863
Margin (%)	49.5	38.1	36.1	35.5
Net Interest	22	30	25	48
Other Income	163	258	244	260
Profit before Tax	2,815	2,860	3,293	3,075
Margin (%)	52.1	41.4	38.6	38.2
Total Tax	727	694	838	814
Effective tax rate (%)	25.8	24.3	25.4	26.5
Profit after Tax	2,088	2,166	2,455	2,260
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,088	2,166	2,455	2,260
YoY gr. (%)	167.1	100.7	197.5	42.5
Margin (%)	38.7	31.3	28.8	28.1
Extra Ord. Income / (Exp)	-	(28)	-	-
Reported PAT	2,088	2,138	2,455	2,260
YoY gr. (%)	167.4	106.0	197.5	42.5
Margin (%)	38.7	30.9	28.8	28.1
Other Comprehensive Income	6	29	30	(7)
Total Comprehensive Income	2,094	2,167	2,485	2,253
Avg. Shares O/s (m)	800	800	800	800
EPS (Rs)	2.6	2.7	3.1	2.8

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Oct-22	Hold	635	731
2	11-Aug-22	Hold	635	670
3	07-Jul-22	Hold	648	583
4	01-Jun-22	Hold	648	693
5	08-Apr-22	Hold	727	791
6	09-Feb-22	Hold	802	850
7	10-Jan-22	Hold	779	861

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Entertainment Network (India)	Hold	189	163
2	Indian Railway Catering and Tourism Corporation	Hold	635	731
3	Inox Leisure	BUY	652	515
4	Music Broadcast	Hold	23	24
5	Navneet Education	BUY	163	127
6	Nazara Technologies	BUY	1,012	670
7	PVR	BUY	2,119	1,689
8	S Chand and Company	BUY	220	164
9	Safari Industries (India)	BUY	2,457	1,811
10	V.I.P. Industries	BUY	1,009	710
11	Zee Entertainment Enterprises	BUY	308	266

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



ANALYST CERTIFICATION

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