

February 10, 2023

Q3FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	694		679	
Sales (Rs. m)	39,056	41,939	37,437	40,201
% Chng.	4.3	4.3		
EBITDA (Rs. m)	15,101	16,391	14,181	15,243
% Chng.	6.5	7.5		
EPS (Rs.)	14.3	15.5	13.5	14.5
% Chng.	5.9	6.9		

Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	18,795	35,199	39,056	41,939
EBITDA (Rs. m)	8,795	13,167	15,101	16,391
Margin (%)	46.8	37.4	38.7	39.1
PAT (Rs. m)	6,665	10,047	11,439	12,397
EPS (Rs.)	8.3	12.6	14.3	15.5
Gr. (%)	(10.5)	50.7	13.9	8.4
DPS (Rs.)	3.5	3.8	4.3	4.6
Yield (%)	0.5	0.6	0.7	0.7
RoE (%)	39.9	44.9	38.3	32.4
RoCE (%)	49.7	56.4	48.3	40.9
EV/Sales (x)	26.5	14.1	12.5	11.4
EV/EBITDA (x)	56.6	37.7	32.3	29.2
PE (x)	77.3	51.3	45.0	41.6
P/BV (x)	27.4	19.9	15.2	12.1

Key Data

INIR.BO | IRCTC IN

52-W High / Low	Rs.858 / Rs.557
Sensex / Nifty	60,683 / 17,857
Market Cap	Rs.515bn / \$ 6,246m
Shares Outstanding	800m
3M Avg. Daily Value	Rs.1522.63m

Shareholding Pattern (%)

Promoter's	62.40
Foreign	6.84
Domestic Institution	8.73
Public & Others	22.03
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.1	(4.3)	(23.9)
Relative	0.2	(7.2)	(26.1)

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Traction in non-convenience fee continues

Quick Pointers:

- In 3QFY23, ~102mn tickets were booked with a convenience fee contribution of ~67% to internet ticketing revenue.

We upgrade our FY23E/FY24E/FY25E EPS estimates by 2%/6%/7% respectively as 1) we increase our ticketing volume estimates which have shown resilience despite 2S reversal amid rising online penetration and 2) continued traction in non-convenience revenue. Indian Railway Catering & Tourism Corporation's (IRCTC IN) results were broadly in-line with revenues of Rs9,181mn (PLe Rs8,791mn) and EBITDA margin of 35.5% (PLe 36.2%). Given majority of the benefits of catering price hike & rail neer expansion will be reflected in FY23E, we foresee growth challenges ahead and expect sales/PAT CAGR of 9%/11% over FY23E-FY25E. IRCTC trades at 51x/45x 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 Rs694. At our TP, stock is implicitly valued at 47x Sep-FY24EPS of Rs14.9.

Revenue increases 69.9% YoY: Revenues increased 69.9% YoY to Rs9,181mn (PLe of Rs8,791mn). Revenues from State Teertha/Catering/Rail Neer/Tourism increased 467.0% YoY/276.6% YoY/55.5% YoY/79.2% YoY to Rs255mn (PLe Rs450mn)/Rs3,941mn (PLe Rs3,454mn)/Rs790mn (PLe Rs899mn)/Rs1,223mn (PLe Rs1,126mn) respectively. However, revenues from Internet Ticketing declined 3.8% YoY to Rs3,010mn (PLe Rs2,862mn).

EBITDA/PAT jumps 16.7%/22.4% YoY respectively: EBITDA increased 16.7% YoY to Rs3,258mn (PLe Rs3,181mn) with a margin of 35.5% (PLe of 36.2%) as against 51.7% in 3QFY22. PAT increased 22.4% YoY to Rs2,555mn (PLe of Rs2,445mn) with a margin of 27.8% (PLe 27.8%) as against 38.7% in 3QFY22. Internet ticketing reported EBIT margin of 84.2% while Catering and Rail Neer reported EBIT margin of 10.7%/11.2% respectively.

Con-call highlights: 1) 752 fresh tenders have been awarded for TSV and LoA for 84 contracts has already been given. Catering reach is ~1,200 trains (TSV + pantry cars) 2) Post price hike, catering opt out rate is between ~10-20%. 3) Privatization plan (150 trains & 100 routes) is on hold and no tenders have been floated yet. 4) Convenience/non-convenience fee share is at 67%/33% respectively. 5) 1.13mn tickets were booked per day for the quarter. 6) Rail Neer's production cost has increased due to rise in PET cost. 7) Reduction in depreciation was on account of reversal of excess provisioning done in earlier quarters. 8) Revenue/PAT of Tejas Express was Rs1,150mn/Rs171mn during 9MFY23. 9) Roughly ~240mn Rail Neer bottles have been produced in 9MFY23. 10) Capacity utilization of Rail Neer plants was ~75%. 11) Share of UPI bookings is 32%. 12) Payment aggregator's license from RBI is yet to be received 13) Ticketing volume breakdown of top 2 category is as follows: Sleeper class is 44% and 3rd AC is 27%. 14) Bus ticketing revenue was Rs43mn.



Exhibit 1: Q3FY23 Result Overview (Rs mn)

Y/e March	3QFY23	3QFY22	YoY gr.	2QFY23	QoQ gr.	9MFY23	9MFY22	YoY gr.
Net sales	9,181	5,402	69.9%	8,058	13.9%	25,765	11,885	116.8%
Total raw material cost	527	254	107.7%	445	18.3%	1,468	662	121.7%
<i>As a % of sales</i>	<i>5.7%</i>	<i>4.7%</i>		<i>5.5%</i>		<i>5.7%</i>	<i>5.6%</i>	
Expenses of catering	2,790	533	423.6%	2,351	18.7%	7,757	1,004	672.7%
<i>As a % of sales</i>	<i>30.4%</i>	<i>9.9%</i>		<i>29.2%</i>		<i>30.1%</i>	<i>8.4%</i>	
Expenses of tourism	1,123	604	86.1%	864	30.0%	2,891	995	190.5%
<i>As a % of sales</i>	<i>12.2%</i>	<i>11.2%</i>		<i>10.7%</i>		<i>11.2%</i>	<i>8.4%</i>	
Manufacturing & direct expenses	425	331	28.6%	370	14.8%	1,230	771	59.4%
<i>As a % of sales</i>	<i>4.6%</i>	<i>6.1%</i>		<i>4.6%</i>		<i>4.8%</i>	<i>6.5%</i>	
Employee expenses	677	655	3.4%	664	2.0%	1,894	1,819	4.2%
<i>As a % of sales</i>	<i>7.4%</i>	<i>12.1%</i>		<i>8.2%</i>		<i>7.4%</i>	<i>15.3%</i>	
Other expenses	380	234	62.1%	316	20.3%	1,009	612	64.9%
<i>As a % of sales</i>	<i>4.1%</i>	<i>4.3%</i>		<i>3.9%</i>		<i>3.9%</i>	<i>5.1%</i>	
EBITDA	3,258	2,792	16.7%	3,049	6.9%	9,516	6,022	58.0%
<i>EBITDA margin</i>	<i>35.5%</i>	<i>51.7%</i>		<i>37.8%</i>		<i>36.9%</i>	<i>50.7%</i>	
Depreciation	104	118	-11.8%	186	-44.1%	425	348	22.2%
EBIT	3,154	2,674	18.0%	2,863	10.2%	9,091	5,674	60.2%
<i>EBIT margin</i>	<i>34.4%</i>	<i>49.5%</i>		<i>35.5%</i>		<i>35.3%</i>	<i>47.7%</i>	
Interest cost	49	22	124.5%	48	1.3%	122	81	51.3%
Other income	308	163	88.7%	260	18.3%	812	470	72.7%
PBT	3,413	2,815	21.2%	3,075	11.0%	9,781	6,063	61.3%
Exceptional items	14	-	NM	-	NM	14	-	NM
Tax expenses	871	727	19.8%	814	7.0%	2,523	1,564	61.3%
<i>Tax rate</i>	<i>25.4%</i>	<i>25.8%</i>		<i>26.5%</i>		<i>25.8%</i>	<i>25.8%</i>	
PAT	2,555	2,088	22.4%	2,260	13.1%	7,271	4,499	61.6%
<i>PAT margin</i>	<i>27.8%</i>	<i>38.7%</i>		<i>28.1%</i>		<i>28.2%</i>	<i>37.9%</i>	
EPS (Rs)	3.2	2.6	22.4%	2.8	13.1%	9.1	5.6	61.6%
Adj. PAT	2,542	2,088	21.7%	2,260	12.5%	7,257	4,499	61.3%

Source: Company, PL

Exhibit 2: Segmental Breakup (Rs mn)

Y/e March	3QFY23	3QFY22	YoY gr.	2QFY23	QoQ gr.
Catering					
Revenue	3,941	1,047	276.6%	3,344	17.9%
<i>As a % of sales</i>	<i>42.8%</i>	<i>19.3%</i>		<i>41.3%</i>	
EBIT	423	57	639.0%	354	19.4%
<i>EBIT margin</i>	<i>10.7%</i>	<i>5.5%</i>		<i>10.6%</i>	
Internet ticketing					
Revenue	3,010	3,129	-3.8%	3,003	0.2%
<i>As a % of sales</i>	<i>32.6%</i>	<i>57.8%</i>		<i>37.1%</i>	
EBIT	2,533	2,652	-4.5%	2,528	0.2%
<i>EBIT margin</i>	<i>84.2%</i>	<i>84.8%</i>		<i>84.2%</i>	
Tourism					
Revenue	1,223	683	79.2%	695	76.0%
<i>As a % of sales</i>	<i>13.3%</i>	<i>12.6%</i>		<i>8.6%</i>	
EBIT	119	(79)	NM	(99)	NM
<i>EBIT margin</i>	<i>9.7%</i>	<i>NM</i>		<i>NM</i>	
State Teertha					
Revenue	255	45	467.0%	296	-13.9%
<i>As a % of sales</i>	<i>2.8%</i>	<i>0.8%</i>		<i>3.7%</i>	
EBIT	40	6	603.4%	44	-8.4%
<i>EBIT margin</i>	<i>15.8%</i>	<i>12.8%</i>		<i>14.9%</i>	
Rail Neer					
Revenue	790	508	55.5%	751	5.1%
<i>As a % of sales</i>	<i>8.6%</i>	<i>9.4%</i>		<i>9.3%</i>	
EBIT	88	51	75.1%	54	64.1%
<i>EBIT margin</i>	<i>11.2%</i>	<i>10.0%</i>		<i>7.2%</i>	
Total revenues	9,219	5,411	70.4%	8,089	14.0%

Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	18,795	35,199	39,056	41,939
YoY gr. (%)	142.0	87.3	11.0	7.4
Cost of Goods Sold	1,055	2,021	2,456	2,613
Gross Profit	17,740	33,178	36,600	39,326
Margin (%)	94.4	94.3	93.7	93.8
Employee Cost	2,374	2,499	2,734	2,936
Other Expenses	1,082	1,408	1,562	1,678
EBITDA	8,795	13,167	15,101	16,391
YoY gr. (%)	365.4	49.7	14.7	8.5
Margin (%)	46.8	37.4	38.7	39.1
Depreciation and Amortization	490	559	659	749
EBIT	8,305	12,608	14,442	15,642
Margin (%)	44.2	35.8	37.0	37.3
Net Interest	111	172	187	201
Other Income	728	1,050	1,100	1,200
Profit Before Tax	8,895	13,499	15,355	16,641
Margin (%)	47.3	38.4	39.3	39.7
Total Tax	2,258	3,439	3,915	4,243
Effective tax rate (%)	25.4	25.5	25.5	25.5
Profit after tax	6,637	10,060	11,439	12,397
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	6,665	10,047	11,439	12,397
YoY gr. (%)	347.7	50.7	13.9	8.4
Margin (%)	35.5	28.5	29.3	29.6
Extra Ord. Income / (Exp)	(28)	14	-	-
Reported PAT	6,637	10,060	11,439	12,397
YoY gr. (%)	254.9	51.6	13.7	8.4
Margin (%)	35.3	28.6	29.3	29.6
Other Comprehensive Income	44	26	-	-
Total Comprehensive Income	6,681	10,086	11,439	12,397
Equity Shares O/s (m)	800	800	800	800
EPS (Rs)	8.3	12.6	14.3	15.5

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	2,842	3,500	4,249
Tangibles	2,204	2,763	3,422	4,171
Intangibles	79	79	79	79
Net fixed assets	3,085	5,125	5,466	5,617
Tangibles	3,031	5,071	5,413	5,564
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	1,214	1,228	1,331
Other Non-Current Assets	495	563	547	545
Current Assets				
Investments	-	-	-	-
Inventories	79	193	214	230
Trade receivables	5,726	11,572	12,626	13,214
Cash & Bank Balance	17,316	19,185	26,975	36,837
Other Current Assets	9,159	9,624	9,834	9,609
Total Assets	38,372	49,242	58,792	69,386
Equity				
Equity Share Capital	1,600	1,600	1,600	1,600
Other Equity	17,239	24,297	32,305	40,983
Total Network	18,839	25,897	33,905	42,583
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	544	704	781	839
Other non current liabilities	70	141	117	126
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	6,786	8,679	9,630	10,341
Other current liabilities	11,060	11,836	12,297	13,168
Total Equity & Liabilities	38,372	49,242	58,792	69,386

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	8,895	13,486	15,355	16,641
Add. Depreciation	490	559	659	749
Add. Interest	-	-	-	-
Less Financial Other Income	728	1,050	1,100	1,200
Add. Other	(600)	26	-	-
Op. profit before WC changes	8,785	14,070	16,014	17,390
Net Changes-WC	(760)	(3,865)	124	1,335
Direct tax	(2,787)	(3,439)	(3,915)	(4,243)
Net cash from Op. activities	5,237	6,766	12,222	14,481
Capital expenditures	(213)	(1,200)	(1,000)	(900)
Interest / Dividend Income	547	-	-	-
Others	(2,758)	(1,399)	-	-
Net Cash from Inv. activities	(2,424)	(2,599)	(1,000)	(900)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(2,400)	(3,014)	(3,432)	(3,719)
Interest paid	-	-	-	-
Others	(181)	716	-	-
Net cash from Fin. activities	(2,581)	(2,298)	(3,432)	(3,719)
Net change in cash	232	1,869	7,790	9,862
Free Cash Flow	5,018	5,566	11,222	13,581

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	8.3	12.6	14.3	15.5
CEPS	8.9	13.3	15.1	16.4
BVPS	23.5	32.4	42.4	53.2
FCF	6.3	7.0	14.0	17.0
DPS	3.5	3.8	4.3	4.6
Return Ratio(%)				
RoCE	49.7	56.4	48.3	40.9
ROIC	(1,004.0)	295.2	367.7	828.2
RoE	39.9	44.9	38.3	32.4
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	77.3	51.3	45.0	41.6
P/B	27.4	19.9	15.2	12.1
P/CEPS	72.0	48.6	42.6	39.2
EV/EBITDA	56.6	37.7	32.3	29.2
EV/Sales	26.5	14.1	12.5	11.4
Dividend Yield (%)	0.5	0.6	0.7	0.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

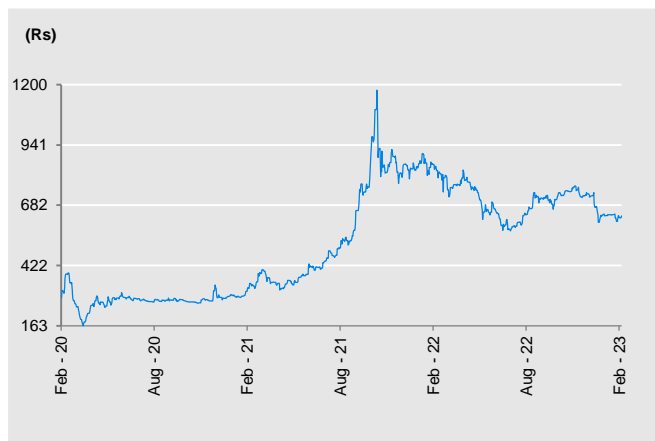
Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Net Revenue	6,910	8,526	8,058	9,181
YoY gr. (%)	104.0	250.3	99.0	69.9
Raw Material Expenses	393	496	445	527
Gross Profit	6,517	8,030	7,613	8,654
Margin (%)	94.3	94.2	94.5	94.3
EBITDA	2,773	3,209	3,049	3,258
YoY gr. (%)	89.5	187.8	44.1	16.7
Margin (%)	40.1	37.6	37.8	35.5
Depreciation / Depletion	142	136	186	104
EBIT	2,631	3,074	2,863	3,154
Margin (%)	38.1	36.1	35.5	34.4
Net Interest	30	25	48	49
Other Income	258	244	260	308
Profit before Tax	2,860	3,293	3,075	3,413
Margin (%)	41.4	38.6	38.2	37.2
Total Tax	694	838	814	871
Effective tax rate (%)	24.3	25.4	26.5	25.5
Profit after Tax	2,166	2,455	2,260	2,542
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,166	2,455	2,260	2,542
YoY gr. (%)	100.7	197.5	42.5	21.7
Margin (%)	31.3	28.8	28.1	27.7
Extra Ord. Income / (Exp)	(28)	-	-	14
Reported PAT	2,138	2,455	2,260	2,555
YoY gr. (%)	106.0	197.5	42.5	22.4
Margin (%)	30.9	28.8	28.1	27.8
Other Comprehensive Income	29	30	(7)	3
Total Comprehensive Income	2,167	2,485	2,253	2,558
Avg. Shares O/s (m)	800	800	800	800
EPS (Rs)	2.7	3.1	2.8	3.2

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jan-23	Hold	679	636
2	15-Nov-22	Hold	679	741
3	06-Oct-22	Hold	635	731
4	11-Aug-22	Hold	635	670
5	07-Jul-22	Hold	648	583
6	01-Jun-22	Hold	648	693
7	08-Apr-22	Hold	727	791

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	474	357
2	Entertainment Network (India)	Hold	189	149
3	Indian Railway Catering and Tourism Corporation	Hold	679	636
4	Inox Leisure	BUY	587	502
5	Music Broadcast	Hold	23	27
6	Navneet Education	BUY	163	117
7	Nazara Technologies	BUY	898	592
8	PVR	BUY	1,983	1,678
9	S Chand and Company	BUY	220	173
10	Safari Industries (India)	BUY	2,553	1,889
11	V.I.P. Industries	BUY	1,014	700
12	Zee Entertainment Enterprises	BUY	309	238

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



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