

August 11, 2023

Q1FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	700		679	
Sales (Rs. m)	42,095	46,044	40,571	43,690
% Chng.	3.8	5.4		
EBITDA (Rs. m)	14,825	16,033	15,125	16,319
% Chng.	(2.0)	(1.8)		
EPS (Rs.)	14.7	15.6	14.5	15.6
% Chng.	1.3	(0.4)		

Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	18,786	35,415	42,095	46,044
EBITDA (Rs. m)	8,735	12,762	14,825	16,033
Margin (%)	46.5	36.0	35.2	34.8
PAT (Rs. m)	6,636	9,787	11,779	12,451
EPS (Rs.)	8.3	12.2	14.7	15.6
Gr. (%)	(10.8)	47.5	20.4	5.7
DPS (Rs.)	3.5	5.5	5.6	6.2
Yield (%)	0.5	0.9	0.9	1.0
RoE (%)	39.7	44.9	41.8	35.3
RoCE (%)	49.4	56.0	50.5	43.4
EV/Sales (x)	26.6	14.1	11.7	10.5
EV/EBITDA (x)	57.2	39.0	33.3	30.3
PE (x)	77.9	52.8	43.9	41.5
P/BV (x)	27.5	20.9	16.4	13.3

Key Data

INIR.BO | IRCTC IN

52-W High / Low	Rs.775 / Rs.557
Sensex / Nifty	65,688 / 19,543
Market Cap	Rs.517bn / \$ 6,252m
Shares Outstanding	800m
3M Avg. Daily Value	Rs.1020.18m

Shareholding Pattern (%)

Promoter's	62.40
Foreign	6.99
Domestic Institution	9.92
Public & Others	20.68
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	5.0	0.4	(4.0)
Relative	4.4	(7.3)	(14.0)

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Catering business on a strong footing

Quick Pointers:

- In 1QFY24, ~104mn tickets were booked yielding convenience fee revenue of ~Rs1,980mn.

Though we increase our FY24E/FY25E revenue estimates by 4%/5% respectively as we tweak our projections for catering segment amid strong beat of 20% in 1QFY24, our EPS estimates broadly remain intact given it is a relatively low margin business. Indian Railway Catering & Tourism Corporation's (IRCTC IN) top-line of Rs10,018mn was better than our estimates with an EBITDA margin of 34.2% (PLe 36.1%), but PAT was impacted by a one-off charge of Rs519mn. We expect sales/PAT CAGR of 14%/13% over FY23-FY25E given 1) traction in non-convenience revenue 2) rail neer expansion (4 plants to be operationalized soon) and 3) healthy growth in catering segment led by extension of services to more trains (200 contracts already in pipeline). IRCTC trades at 44x/42x our FY24E/FY25E EPS estimates and we maintain our 'HOLD' rating on the stock with a TP of Rs700 (45x FY25E EPS).

Revenue increases 17.5% YoY: Revenues increased 17.5% YoY to Rs10,018mn (PLe Rs9,322mn). Revenue from State Teertha and Internet ticketing was down 64.1%/3.8% YoY to Rs119mn/Rs2,901mn respectively. However, revenue from Catering/Tourism/Rail Neer was up 35.5%/59.4%/10.2% YoY to Rs4,771mn/Rs1,306mn/Rs959mn respectively. All segments were EBIT positive except for tourism which reported a loss of Rs401mn.

EBITDA/adjusted PAT jumps 6.9%/15.7% YoY respectively: EBITDA increased 6.9% YoY to Rs3,430mn (PLe Rs3,367mn) with a margin of 34.2% (PLe 36.1%) as against a margin of 37.6%/33.6% in 1QFY23/4QFY23 respectively.

Adjusted PAT was up 15.7% YoY to Rs2,841mn (PLe Rs2,620mn) with a margin of 28.4% (PLe 28.1%) as against 28.8%/28.9% in 1QFY23/4QFY23 respectively. IRCTC reported exceptional loss worth Rs519mn pertaining to provision created for fixed, variable and custody charges, for the two Tejas express trains (for the period 13th August,2021 through 31st March,2023) amid revision in haulage rates.

Con-call highlights: 1) Earmarked capex of Rs780mn towards IT modernization. 2) As of July end, IRCTC was providing catering services to 1,209 trains and 200 more contracts are in pipeline.3) Three Rail Neer plants will be commissioned this year and another one in next year. 4) Occupancy for Lucknow-Delhi and Ahmedabad-Mumbai Tejas express stood at 72.8%/89.2% respectively with collective revenue of ~Rs459mn. 5) 10 trains have been taken on lease under Bharat Gaurav scheme which is likely to aid tourism revenues. 6) Share of UPI bookings was 38% in 1QFY24. 7) Roughly ~0.47mn air tickets were booked in 1QFY24. 8) 475 Vande Bharat trains are likely to be added in near future which is likely to improve yield (AC has higher convenience fee) and aid catering business as well.

Exhibit 1: Q1FY24 Result Overview (Rs mn)

Y/e March	1QFY24	1QFY23	YoY gr.	4QFY23	QoQ gr.
Net sales	10,018	8,526	17.5%	9,650	3.8%
Total raw material cost	694	496	39.9%	482	43.8%
<i>As a % of sales</i>	<i>6.9%</i>	<i>5.8%</i>		<i>5.0%</i>	
Expenses of catering	3,329	2,664	25.0%	2,830	17.6%
<i>As a % of sales</i>	<i>33.2%</i>	<i>31.2%</i>		<i>29.3%</i>	
Expenses of tourism	1,101	904	21.8%	1,533	-28.1%
<i>As a % of sales</i>	<i>11.0%</i>	<i>10.6%</i>		<i>15.9%</i>	
Manufacturing & direct expenses	380	386	-1.6%	380	0.2%
<i>As a % of sales</i>	<i>3.8%</i>	<i>4.5%</i>		<i>3.9%</i>	
Employee expenses	663	553	19.8%	561	18.2%
<i>As a % of sales</i>	<i>6.6%</i>	<i>6.5%</i>		<i>5.8%</i>	
Other expenses	421	313	34.5%	618	-31.9%
<i>As a % of sales</i>	<i>4.2%</i>	<i>3.7%</i>		<i>6.4%</i>	
EBITDA	3,430	3,209	6.9%	3,246	5.7%
<i>EBITDA margin</i>	<i>34.2%</i>	<i>37.6%</i>		<i>33.6%</i>	
Depreciation	137	136	0.9%	112	22.1%
EBIT	3,293	3,074	7.1%	3,134	5.1%
<i>EBIT margin</i>	<i>32.9%</i>	<i>36.1%</i>		<i>32.5%</i>	
Interest cost	41	25	66.4%	39	5.9%
Other income	392	244	60.6%	393	-0.1%
PBT	3,644	3,293	10.7%	3,488	4.5%
Exceptional items	(519)	-	NM	258	NM
Tax expenses	803	838	-4.2%	958	-16.2%
<i>Tax rate</i>	<i>25.7%</i>	<i>25.4%</i>		<i>25.6%</i>	
PAT	2,322	2,455	-5.4%	2,788	-16.7%
<i>PAT margin</i>	<i>23.2%</i>	<i>28.8%</i>		<i>28.9%</i>	
EPS (Rs)	2.9	3.1	-5.4%	3.5	-16.7%
Adj. PAT	2,841	2,455	15.7%	2,530	12.3%

Source: Company, PL

Exhibit 2: Segmental Breakup (Rs mn)

Y/e March	1QFY24	1QFY23	YoY gr.	4QFY23	QoQ gr.
Catering					
Revenue	4,771	3,522	35.5%	3,958	20.5%
<i>As a % of sales</i>	<i>47.4%</i>	<i>41.1%</i>		<i>40.9%</i>	
EBIT	697	422	65.0%	480	45.1%
<i>EBIT margin</i>	<i>14.6%</i>	<i>12.0%</i>		<i>12.1%</i>	
Internet ticketing					
Revenue	2,901	3,017	-3.8%	2,951	-1.7%
<i>As a % of sales</i>	<i>28.8%</i>	<i>35.2%</i>		<i>30.5%</i>	
EBIT	2,400	2,549	-5.9%	2,599	-7.7%
<i>EBIT margin</i>	<i>82.7%</i>	<i>84.5%</i>		<i>88.1%</i>	
Tourism					
Revenue	1,306	819	59.4%	1,385	-5.8%
<i>As a % of sales</i>	<i>13.0%</i>	<i>9.6%</i>		<i>14.3%</i>	
EBIT	(401)	9	NM	136	NM
<i>EBIT margin</i>	<i>-30.7%</i>	<i>1.1%</i>		<i>9.8%</i>	
State Teertha					
Revenue	119	332	-64.1%	654	-81.8%
<i>As a % of sales</i>	<i>1.2%</i>	<i>3.9%</i>		<i>6.8%</i>	
EBIT	20	64	-68.8%	140	-85.8%
<i>EBIT margin</i>	<i>16.7%</i>	<i>19.2%</i>		<i>21.3%</i>	
Rail Neer					
Revenue	959	871	10.2%	734	30.8%
<i>As a % of sales</i>	<i>9.5%</i>	<i>10.2%</i>		<i>7.6%</i>	
EBIT	121	92	32.1%	130	-6.7%
<i>EBIT margin</i>	<i>12.6%</i>	<i>10.6%</i>		<i>17.7%</i>	
Total revenues	10,056	8,560	17.5%	9,683	3.9%

Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	18,786	35,415	42,095	46,044
YoY gr. (%)	141.9	88.5	18.9	9.4
Cost of Goods Sold	1,055	1,950	2,827	3,145
Gross Profit	17,731	33,464	39,268	42,899
Margin (%)	94.4	94.5	93.3	93.2
Employee Cost	2,405	2,455	2,736	2,993
Other Expenses	1,116	1,627	1,768	1,934
EBITDA	8,735	12,762	14,825	16,033
YoY gr. (%)	362.2	46.1	16.2	8.1
Margin (%)	46.5	36.0	35.2	34.8
Depreciation and Amortization	490	537	602	712
EBIT	8,245	12,225	14,223	15,321
Margin (%)	43.9	34.5	33.8	33.3
Net Interest	111	161	189	207
Other Income	759	1,204	1,600	1,600
Profit Before Tax	8,854	13,540	15,114	16,713
Margin (%)	47.1	38.2	35.9	36.3
Total Tax	2,258	3,481	3,854	4,262
Effective tax rate (%)	25.5	25.7	25.5	25.5
Profit after tax	6,596	10,059	11,260	12,451
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	6,636	9,787	11,779	12,451
YoY gr. (%)	345.8	47.5	20.4	5.7
Margin (%)	35.3	27.6	28.0	27.0
Extra Ord. Income / (Exp)	(40)	272	(519)	-
Reported PAT	6,596	10,059	11,260	12,451
YoY gr. (%)	252.7	52.5	11.9	10.6
Margin (%)	35.1	28.4	26.7	27.0
Other Comprehensive Income	44	22	-	-
Total Comprehensive Income	6,639	10,081	11,260	12,451
Equity Shares O/s (m)	800	800	800	800
EPS (Rs)	8.3	12.2	14.7	15.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	5,367	5,821	7,001	8,101
Tangibles	5,235	5,688	6,868	7,968
Intangibles	132	133	133	133
Acc: Dep / Amortization	2,283	2,578	3,180	3,892
Tangibles	2,204	2,472	3,074	3,786
Intangibles	79	106	106	106
Net fixed assets	3,085	3,243	3,821	4,209
Tangibles	3,031	3,216	3,794	4,182
Intangibles	54	27	27	27
Capital Work In Progress	262	338	338	338
Goodwill	-	-	-	-
Non-Current Investments	273	267	267	267
Net Deferred tax assets	947	1,305	1,329	1,337
Other Non-Current Assets	495	2,207	1,263	1,151
Current Assets				
Investments	-	-	-	-
Inventories	79	96	231	252
Trade receivables	5,726	11,429	13,263	13,876
Cash & Bank Balance	17,316	19,337	23,586	31,607
Other Current Assets	9,159	10,576	10,885	11,259
Total Assets	38,372	50,888	57,002	66,368
Equity				
Equity Share Capital	1,600	1,600	1,600	1,600
Other Equity	17,239	23,184	29,940	37,411
Total Network	18,839	24,784	31,540	39,011
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	544	1,054	842	691
Other non current liabilities	70	167	126	138
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	6,786	8,522	9,803	10,723
Other current liabilities	11,060	15,392	13,591	14,613
Total Equity & Liabilities	38,372	50,888	57,002	66,368

Source: Company Data, PL Research



Indian Railway Catering and Tourism Corporation

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	8,895	13,540	15,633	16,713
Add. Depreciation	490	537	602	712
Add. Interest	-	-	-	-
Less Financial Other Income	759	1,204	1,600	1,600
Add. Other	(600)	(776)	(519)	-
Op. profit before WC changes	8,785	13,301	15,716	17,426
Net Changes-WC	(760)	(910)	(1,930)	938
Direct tax	(2,787)	(4,290)	(3,854)	(4,262)
Net cash from Op. activities	5,237	8,101	9,932	14,102
Capital expenditures	(213)	(674)	(1,180)	(1,100)
Interest / Dividend Income	547	625	-	-
Others	(2,758)	(3,102)	-	-
Net Cash from Inv. activities	(2,424)	(3,151)	(1,180)	(1,100)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(2,400)	(4,000)	(4,504)	(4,981)
Interest paid	-	-	-	-
Others	(181)	(343)	-	-
Net cash from Fin. activities	(2,581)	(4,343)	(4,504)	(4,981)
Net change in cash	232	606	4,248	8,021
Free Cash Flow	5,018	7,426	8,752	13,002

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	8.3	12.2	14.7	15.6
CEPS	8.9	12.9	15.5	16.5
BVPS	23.5	31.0	39.4	48.8
FCF	6.3	9.3	10.9	16.3
DPS	3.5	5.5	5.6	6.2
Return Ratio(%)				
RoCE	49.4	56.0	50.5	43.4
ROIC	(995.1)	367.1	231.5	311.1
RoE	39.7	44.9	41.8	35.3
Balance Sheet				
Net Debt : Equity (x)	(0.9)	(0.8)	(0.7)	(0.8)
Net Working Capital (Days)	(19)	31	32	27
Valuation(x)				
PER	77.9	52.8	43.9	41.5
P/B	27.5	20.9	16.4	13.3
P/CEPS	72.6	50.1	41.8	39.3
EV/EBITDA	57.2	39.0	33.3	30.3
EV/Sales	26.6	14.1	11.7	10.5
Dividend Yield (%)	0.5	0.9	0.9	1.0

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	8,058	9,181	9,650	10,018
YoY gr. (%)	99.0	69.9	39.7	17.5
Raw Material Expenses	445	527	482	694
Gross Profit	7,613	8,654	9,168	9,324
Margin (%)	94.5	94.3	95.0	93.1
EBITDA	3,049	3,258	3,246	3,430
YoY gr. (%)	44.1	16.7	16.5	6.9
Margin (%)	37.8	35.5	33.6	34.2
Depreciation / Depletion	186	104	112	137
EBIT	2,863	3,154	3,134	3,293
Margin (%)	35.5	34.4	32.5	32.9
Net Interest	48	49	39	41
Other Income	260	308	393	392
Profit before Tax	3,075	3,413	3,488	3,644
Margin (%)	38.2	37.2	36.1	36.4
Total Tax	814	871	958	803
Effective tax rate (%)	26.5	25.5	27.5	22.0
Profit after Tax	2,260	2,542	2,530	2,841
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,260	2,542	2,530	2,841
YoY gr. (%)	42.5	21.7	16.1	15.7
Margin (%)	28.1	27.7	26.2	28.4
Extra Ord. Income / (Exp)	-	14	258	(519)
Reported PAT	2,260	2,555	2,788	2,322
YoY gr. (%)	42.5	22.4	30.4	(5.4)
Margin (%)	28.1	27.8	28.9	23.2
Other Comprehensive Income	(7)	3	(4)	(12)
Total Comprehensive Income	2,253	2,558	2,784	2,310
Avg. Shares O/s (m)	800	800	800	800
EPS (Rs)	2.8	3.2	3.2	3.6

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-23	Hold	679	632
2	31-May-23	Hold	679	644
3	11-Apr-23	Hold	672	582
4	10-Feb-23	Hold	694	644
5	06-Jan-23	Hold	679	636
6	15-Nov-22	Hold	679	741
7	06-Oct-22	Hold	635	731

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	562	489
2	Entertainment Network (India)	Hold	180	126
3	Indian Railway Catering and Tourism Corporation	Hold	679	632
4	Inox Leisure	BUY	587	502
5	InterGlobe Aviation	BUY	2,855	2,565
6	Music Broadcast	Hold	18	11
7	Navneet Education	BUY	192	144
8	Nazara Technologies	BUY	834	694
9	PVR Inox	BUY	1,797	1,565
10	S Chand and Company	BUY	257	191
11	Safari Industries (India)	BUY	3,728	3,195
12	V.I.P. Industries	Accumulate	707	598
13	Zee Entertainment Enterprises	BUY	276	242

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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