

November 6, 2024

## Q2FY25 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
<b>Rating</b>	<b>HOLD</b>		<b>REDUCE</b>	
<b>Target Price</b>	<b>833</b>		<b>822</b>	
Sales (Rs. m)	52,578	56,762	52,578	56,762
% Chng.	-	-	-	-
EBITDA (Rs. m)	17,862	19,457	17,862	19,457
% Chng.	-	-	-	-
EPS (Rs.)	17.5	18.9	17.3	18.6
% Chng.	1.4	1.6	-	-

### Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	42,702	48,300	52,578	56,762
EBITDA (Rs. m)	14,660	16,442	17,862	19,457
Margin (%)	34.3	34.0	34.0	34.3
PAT (Rs. m)	11,696	13,058	14,032	15,126
EPS (Rs.)	14.6	16.3	17.5	18.9
Gr. (%)	19.5	11.6	7.5	7.8
DPS (Rs.)	6.5	7.0	7.6	8.3
Yield (%)	0.8	0.8	0.9	1.0
RoE (%)	41.0	36.2	32.1	29.1
RoCE (%)	49.4	43.4	38.6	35.4
EV/Sales (x)	15.0	13.2	12.0	10.9
EV/EBITDA (x)	43.7	38.7	35.2	31.8
PE (x)	56.7	50.8	47.3	43.9
P/BV (x)	20.5	16.7	13.9	11.8

### Key Data

INIR.BO | IRCTC IN

52-W High / Low	Rs.1,148 / Rs.664
Sensex / Nifty	79,477 / 24,213
Market Cap	Rs.663bn / \$ 7,886m
Shares Outstanding	800m
3M Avg. Daily Value	Rs.1450.23m

### Shareholding Pattern (%)

Promoter's	62.40
Foreign	7.54
Domestic Institution	13.92
Public & Others	16.14
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(5.0)	(21.2)	24.9
Relative	(2.4)	(26.8)	1.2

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## Catering division disappoints

### Quick Pointers:

- ~134mn tickets booked with a convenience fee income of Rs2.5bn.

**We upgrade IRCTC to "HOLD" (earlier "REDUCE") with a TP of Rs833 given 19% correction in stock price over the last 6 months. IRCTC's performance was broadly in-line with our estimate with EBITDA margin of 35.0% (PLe 35.3%). However, performance of catering division was sub-par due to a) closure of certain own kitchens and b) train cancellations amid heavy monsoons. We expect sales/PAT CAGR 8.4%/7.5% over FY25E-FY27E driven by Catering & Rail Neer divisions as growth in high margin ticketing segment as plateaued. IRCTC trades 47x/44x our FY26E/FY27E EPS estimates and we believe current valuations leave limited headroom for re-rating given mid-to-high single digit earnings growth over FY25E-FY27E. We broadly maintain our estimates and upgrade to "HOLD" with a TP of Rs833 after assigning a multiple of 47.5x (no change) over FY26E EPS.**

**Revenue up by 7.2% YoY:** Revenue increased 7.2% YoY to Rs10,640mn (PLe Rs10,857mn). Catering revenue was up by 11.7% YoY to Rs4,820mn (PLe Rs5,351mn) with an EBIT margin of 12.8% (PLe 14.0%). Internet ticketing revenue increased 13.3% YoY to Rs3,710mn (PLe Rs3,411mn). Rail Neer revenue surged 15.7% YoY to Rs902mn (PLe Rs936) with an EBIT margin of 9.9% (PLe 12.5%). However, revenue from Tourism was down by 21.5% YoY to Rs1,244mn (PLe Rs1,159mn).

**EBITDA remains flat YoY:** EBITDA increased 1.7% YoY to Rs3,728mn (PLe Rs3,832mn) with a margin of 35.0% (PLe of 35.3%). Adjusted PAT increased 4.5% YoY to Rs3,078mn (PLe of Rs3,062mn) with a margin of 28.9% (PLe 28.2%).

**Key highlights from our interaction with management:** **1)** In 2QFY25, convenience/non-convenience revenue stood at Rs2.5bn/Rs1.2bn respectively. **2)** ~134mn tickets were booked in 2QFY25. **3)** Performance of Catering & Rail Neer segment is expected to improve in 3QFY25E on account of increase in festive travel. **4)** Capacity utilization for Rail Neer plants stood at 75% in 2QFY25. **5)** All 20 Rail Neer plants are now fully operational. **6)** UPI share stood at 47% in 2QFY25. **7)** In 2QFY25, operating loss for Tejas trains stood at ~Rs50mn-60mn. **8)** Performance of catering segment was impacted due to a) train cancellations amid heavy monsoons b) negligible business outside of Railways and c) closure of certain owned kitchens. **9)** CSR spends in the quarter stood at Rs130-140mn impacting margins negatively **10)** The new office building has been capitalized in Oct-24 and hence depreciation run-rate is likely to increase from 3QFY25.

**Exhibit 1: Q2FY25 Result Overview (Rs mn)**

Y/e March	2QFY25	2QFY24	YoY gr.	1QFY25	QoQ gr.	2QFY25E	% Var.	H1FY25	H1FY24	YoY gr.
<b>Net sales</b>	<b>10,640</b>	<b>9,924</b>	<b>7.2%</b>	<b>11,176</b>	<b>-4.8%</b>	<b>10,857</b>	<b>-2.0%</b>	<b>21,816</b>	<b>19,930</b>	<b>9.5%</b>
Total raw material cost	616	553	11.4%	896	-31.3%	776	-20.6%	1,512	1,247	21.3%
<i>As a % of sales</i>	<b>5.8%</b>	<b>5.6%</b>		<b>8.0%</b>		<b>7.1%</b>		<b>6.9%</b>	<b>6.3%</b>	
Expenses of catering	3,465	2,914	18.9%	3,942	-12.1%	3,746	-7.5%	7,407	6,242	18.7%
<i>As a % of sales</i>	<b>32.6%</b>	<b>29.4%</b>		<b>35.3%</b>		<b>34.5%</b>		<b>34.0%</b>	<b>31.3%</b>	
Expenses of tourism	1,050	1,377	-23.7%	951	10.5%	910	15.5%	2,001	2,467	-18.9%
<i>As a % of sales</i>	<b>9.9%</b>	<b>13.9%</b>		<b>8.5%</b>		<b>8.4%</b>		<b>9.2%</b>	<b>12.4%</b>	
Manufacturing & direct expenses	472	404	16.9%	467	1.0%	475	-0.7%	939	784	19.8%
<i>As a % of sales</i>	<b>4.4%</b>	<b>4.1%</b>		<b>4.2%</b>		<b>4.4%</b>		<b>4.3%</b>	<b>3.9%</b>	
Employee expenses	769	638	20.5%	745	3.3%	717	7.3%	1,513	1,301	16.3%
<i>As a % of sales</i>	<b>7.2%</b>	<b>6.4%</b>		<b>6.7%</b>		<b>6.6%</b>		<b>6.9%</b>	<b>6.5%</b>	
Other expenses	541	373	45.0%	426	26.8%	402	34.6%	967	794	21.8%
<i>As a % of sales</i>	<b>5.1%</b>	<b>3.8%</b>		<b>3.8%</b>		<b>3.7%</b>		<b>4.4%</b>	<b>4.0%</b>	
<b>EBITDA</b>	<b>3,728</b>	<b>3,666</b>	<b>1.7%</b>	<b>3,749</b>	<b>-0.6%</b>	<b>3,832</b>	<b>-2.7%</b>	<b>7,477</b>	<b>7,095</b>	<b>5.4%</b>
<i>EBITDA margin</i>	<b>35.0%</b>	<b>36.9%</b>		<b>33.5%</b>		<b>35.3%</b>		<b>34.3%</b>	<b>35.6%</b>	
Depreciation	131	140	-6.3%	139	-5.5%	163	-19.5%	270	277	-2.5%
<b>EBIT</b>	<b>3,597</b>	<b>3,526</b>	<b>2.0%</b>	<b>3,611</b>	<b>-0.4%</b>	<b>3,669</b>	<b>-2.0%</b>	<b>7,207</b>	<b>6,819</b>	<b>5.7%</b>
<i>EBIT margin</i>	<b>33.8%</b>	<b>35.5%</b>		<b>32.3%</b>		<b>33.8%</b>		<b>33.0%</b>	<b>34.2%</b>	
Interest cost	31	44	-30.3%	28	9.0%	48	-35.5%	59	85	-30.9%
Other income	600	471	27.4%	514	16.6%	489	22.7%	1,114	863	29.1%
<b>PBT</b>	<b>4,166</b>	<b>3,952</b>	<b>5.4%</b>	<b>4,096</b>	<b>1.7%</b>	<b>4,110</b>	<b>1.4%</b>	<b>8,262</b>	<b>7,596</b>	<b>8.8%</b>
Exceptional items	-	-	NM	22	NM	-		22	(519)	NM
Tax expenses	1,087	1,005	8.1%	1,041	4.4%	1,048	3.7%	2,128	1,808	17.7%
<i>Tax rate</i>	<b>26.1%</b>	<b>25.4%</b>		<b>25.3%</b>		<b>25.5%</b>		<b>25.7%</b>	<b>25.5%</b>	
<b>PAT</b>	<b>3,079</b>	<b>2,947</b>	<b>4.5%</b>	<b>3,077</b>	<b>0.0%</b>	<b>3,062</b>	<b>0.5%</b>	<b>6,156</b>	<b>5,269</b>	<b>16.8%</b>
<i>PAT margin</i>	<b>28.9%</b>	<b>29.7%</b>		<b>27.5%</b>		<b>28.2%</b>		<b>28.2%</b>	<b>26.4%</b>	
EPS (Rs)	3.8	3.7	4.5%	3.8	0.0%	3.8	0.5%	7.7	6.6	16.7%
<b>Adjusted PAT</b>	<b>3,079</b>	<b>2,947</b>	<b>4.5%</b>	<b>3,055</b>	<b>0.8%</b>	<b>3,062</b>	<b>0.5%</b>	<b>6,134</b>	<b>5,788</b>	<b>6.0%</b>

Source: Company, PL

**Exhibit 2: Segmental Breakup (Rs mn)**

Y/e March	2QFY25	2QFY24	YoY gr.	1QFY25	QoQ gr.
<b>Catering</b>	<b>4,820</b>	<b>4,315</b>	<b>11.7%</b>	<b>5,589</b>	<b>-13.8%</b>
<i>As a % of sales</i>	<b>45.1%</b>	<b>43.3%</b>		<b>49.8%</b>	
EBIT	615	743	-17.1%	779	-21.0%
<i>EBIT margin</i>	<b>12.8%</b>	<b>17.2%</b>		<b>13.9%</b>	
<b>Internet ticketing</b>	<b>3,710</b>	<b>3,275</b>	<b>13.3%</b>	<b>3,291</b>	<b>12.7%</b>
<i>As a % of sales</i>	<b>34.7%</b>	<b>32.9%</b>		<b>29.3%</b>	
EBIT	3,005	2,742	9.6%	2,723	10.4%
<i>EBIT margin</i>	<b>81.0%</b>	<b>83.7%</b>		<b>82.8%</b>	
<b>Toursim (Includes State Teertha)</b>	<b>1,244</b>	<b>1,585</b>	<b>-21.5%</b>	<b>1,223</b>	<b>1.7%</b>
<i>As a % of sales</i>	<b>11.7%</b>	<b>15.9%</b>		<b>10.9%</b>	
EBIT	(30)	58	NM	93	-132.5%
<i>EBIT margin</i>	<b>-2.4%</b>	<b>NM</b>		<b>7.6%</b>	
<b>Rail Neer</b>	<b>902</b>	<b>780</b>	<b>15.7%</b>	<b>1,115</b>	<b>-19.1%</b>
<i>As a % of sales</i>	<b>8.5%</b>	<b>7.8%</b>		<b>9.9%</b>	
EBIT	90	97	-7.4%	136	-33.9%
<i>EBIT margin</i>	<b>9.9%</b>	<b>12.4%</b>		<b>12.2%</b>	
<b>Total revenues</b>	<b>10,676</b>	<b>9,955</b>	<b>7.2%</b>	<b>11,217</b>	<b>-4.8%</b>

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>42,702</b>	<b>48,300</b>	<b>52,578</b>	<b>56,762</b>
YoY gr. (%)	20.6	13.1	8.9	8.0
Cost of Goods Sold	2,454	3,080	3,356	3,603
Gross Profit	40,248	45,220	49,222	53,159
Margin (%)	94.3	93.6	93.6	93.7
Employee Cost	2,890	3,188	3,470	3,690
Other Expenses	1,777	1,980	2,051	2,157
<b>EBITDA</b>	<b>14,660</b>	<b>16,442</b>	<b>17,862</b>	<b>19,457</b>
YoY gr. (%)	14.9	12.2	8.6	8.9
Margin (%)	34.3	34.0	34.0	34.3
Depreciation and Amortization	572	819	993	1,065
<b>EBIT</b>	<b>14,087</b>	<b>15,623</b>	<b>16,869</b>	<b>18,392</b>
Margin (%)	33.0	32.3	32.1	32.4
Net Interest	186	145	184	238
Other Income	1,645	2,050	2,150	2,150
<b>Profit Before Tax</b>	<b>14,960</b>	<b>17,550</b>	<b>18,835</b>	<b>20,303</b>
Margin (%)	35.0	36.3	35.8	35.8
Total Tax	3,850	4,470	4,803	5,177
Effective tax rate (%)	25.7	25.5	25.5	25.5
<b>Profit after tax</b>	<b>11,111</b>	<b>13,081</b>	<b>14,032</b>	<b>15,126</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>11,696</b>	<b>13,058</b>	<b>14,032</b>	<b>15,126</b>
YoY gr. (%)	19.5	11.6	7.5	7.8
Margin (%)	27.4	27.0	26.7	26.6
Extra Ord. Income / (Exp)	(585)	22	-	-
<b>Reported PAT</b>	<b>11,111</b>	<b>13,081</b>	<b>14,032</b>	<b>15,126</b>
YoY gr. (%)	10.5	17.7	7.3	7.8
Margin (%)	26.0	27.1	26.7	26.6
Other Comprehensive Income	3	-	-	-
Total Comprehensive Income	11,114	13,081	14,032	15,126
<b>Equity Shares O/s (m)</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>800</b>
<b>EPS (Rs)</b>	<b>14.6</b>	<b>16.3</b>	<b>17.5</b>	<b>18.9</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>6,008</b>	<b>11,108</b>	<b>11,908</b>	<b>12,708</b>
Tangibles	5,870	10,970	11,770	12,570
Intangibles	138	138	138	138
<b>Acc: Dep / Amortization</b>	<b>2,842</b>	<b>3,661</b>	<b>4,654</b>	<b>5,719</b>
Tangibles	2,736	3,555	4,548	5,613
Intangibles	106	106	106	106
<b>Net fixed assets</b>	<b>3,166</b>	<b>7,447</b>	<b>7,254</b>	<b>6,989</b>
Tangibles	3,133	7,415	7,222	6,957
Intangibles	32	32	32	32
Capital Work In Progress	4,425	425	425	425
Goodwill	-	-	-	-
Non-Current Investments	274	274	274	274
Net Deferred tax assets	1,413	1,402	1,413	1,421
Other Non-Current Assets	193	386	421	454
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	110	265	288	311
Trade receivables	13,743	14,821	16,133	17,417
Cash & Bank Balance	22,776	27,478	34,977	43,878
Other Current Assets	12,237	12,776	13,804	14,698
<b>Total Assets</b>	<b>60,912</b>	<b>67,689</b>	<b>77,617</b>	<b>88,706</b>
<b>Equity</b>				
Equity Share Capital	1,600	1,600	1,600	1,600
Other Equity	30,698	38,154	46,082	54,552
<b>Total Network</b>	<b>32,298</b>	<b>39,754</b>	<b>47,682</b>	<b>56,152</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	1,161	724	789	851
Other non current liabilities	175	145	158	170
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	9,977	11,248	12,244	13,219
Other current liabilities	16,340	14,772	15,538	16,760
<b>Total Equity &amp; Liabilities</b>	<b>60,912</b>	<b>67,689</b>	<b>77,617</b>	<b>88,706</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	14,960	17,528	18,835	20,303
Add. Depreciation	572	819	993	1,065
Add. Interest	-	-	-	-
Less Financial Other Income	1,645	2,050	2,150	2,150
Add. Other	(1,136)	22	-	-
Op. profit before WC changes	14,396	18,369	19,828	21,368
Net Changes-WC	(1,097)	(2,473)	(622)	165
Direct tax	(4,478)	(4,470)	(4,803)	(5,177)
<b>Net cash from Op. activities</b>	<b>8,822</b>	<b>11,426</b>	<b>14,403</b>	<b>16,356</b>
Capital expenditures	(2,324)	(1,100)	(800)	(800)
Interest / Dividend Income	1,066	-	-	-
Others	(741)	-	-	-
<b>Net Cash from Inv. activities</b>	<b>(1,999)</b>	<b>(1,100)</b>	<b>(800)</b>	<b>(800)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(3,600)	(5,625)	(6,104)	(6,655)
Interest paid	-	-	-	-
Others	(443)	-	-	-
<b>Net cash from Fin. activities</b>	<b>(4,043)</b>	<b>(5,625)</b>	<b>(6,104)</b>	<b>(6,655)</b>
<b>Net change in cash</b>	<b>2,779</b>	<b>4,702</b>	<b>7,499</b>	<b>8,901</b>
Free Cash Flow	6,497	10,326	13,603	15,556

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	14.6	16.3	17.5	18.9
CEPS	15.3	17.3	18.8	20.2
BVPS	40.4	49.7	59.6	70.2
FCF	8.1	12.9	17.0	19.4
DPS	6.5	7.0	7.6	8.3
<b>Return Ratio(%)</b>				
RoCE	49.4	43.4	38.6	35.4
ROIC	181.5	136.2	143.8	170.4
RoE	41.0	36.2	32.1	29.1
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.7)	(0.7)	(0.7)	(0.8)
Net Working Capital (Days)	33	29	29	29
<b>Valuation(x)</b>				
PER	56.7	50.8	47.3	43.9
P/B	20.5	16.7	13.9	11.8
P/CEPS	54.1	47.8	44.1	41.0
EV/EBITDA	43.7	38.7	35.2	31.8
EV/Sales	15.0	13.2	12.0	10.9
Dividend Yield (%)	0.8	0.8	0.9	1.0

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
<b>Net Revenue</b>	<b>11,183</b>	<b>11,548</b>	<b>11,176</b>	<b>10,640</b>
YoY gr. (%)	21.8	19.7	11.6	7.2
Raw Material Expenses	691	516	896	616
Gross Profit	10,492	11,031	10,280	10,024
Margin (%)	93.8	95.5	92.0	94.2
<b>EBITDA</b>	<b>3,940</b>	<b>3,627</b>	<b>3,749</b>	<b>3,728</b>
YoY gr. (%)	20.9	11.7	9.3	1.7
Margin (%)	35.2	31.4	33.5	35.0
Depreciation / Depletion	139	156	139	131
<b>EBIT</b>	<b>3,801</b>	<b>3,471</b>	<b>3,611</b>	<b>3,597</b>
Margin (%)	34.0	30.1	32.3	33.8
Net Interest	48	53	28	31
Other Income	456	326	514	600
<b>Profit before Tax</b>	<b>4,209</b>	<b>3,743</b>	<b>4,096</b>	<b>4,166</b>
Margin (%)	37.6	32.4	36.7	39.2
Total Tax	1,064	979	1,041	1,087
Effective tax rate (%)	25.3	26.1	25.4	26.1
<b>Profit after Tax</b>	<b>3,145</b>	<b>2,765</b>	<b>3,055</b>	<b>3,079</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>3,145</b>	<b>2,765</b>	<b>3,055</b>	<b>3,079</b>
YoY gr. (%)	23.7	9.3	7.5	4.5
Margin (%)	28.1	23.9	27.3	28.9
Extra Ord. Income / (Exp)	(145)	79	22	-
<b>Reported PAT</b>	<b>3,000</b>	<b>2,844</b>	<b>3,077</b>	<b>3,079</b>
YoY gr. (%)	17.4	2.0	32.5	4.5
Margin (%)	26.8	24.6	27.5	28.9
Other Comprehensive Income	(1)	(1)	3	(24)
<b>Total Comprehensive Income</b>	<b>2,999</b>	<b>2,842</b>	<b>3,080</b>	<b>3,055</b>
Avg. Shares O/s (m)	800	800	800	800
<b>EPS (Rs)</b>	<b>3.9</b>	<b>3.5</b>	<b>3.8</b>	<b>3.8</b>

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Oct-24	Reduce	822	880
2	17-Aug-24	Reduce	822	925
3	08-Jul-24	Reduce	811	1,026
4	30-May-24	Reduce	811	1,025
5	12-Apr-24	Hold	825	1,023
6	14-Feb-24	Hold	825	929
7	05-Jan-24	Hold	749	902
8	08-Nov-23	Hold	709	677

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	Accumulate	921	845
2	Delhivery	Accumulate	430	417
3	DOMS Industries	BUY	3,349	2,924
4	Imagicaaworld Entertainment	BUY	116	80
5	Indian Railway Catering and Tourism Corporation	Reduce	822	880
6	InterGlobe Aviation	Accumulate	4,919	4,366
7	Lemon Tree Hotels	BUY	159	121
8	Mahindra Logistics	Hold	496	444
9	Navneet Education	Hold	164	143
10	Nazara Technologies	BUY	1,185	953
11	PVR Inox	Hold	1,598	1,621
12	S Chand and Company	BUY	312	211
13	Safari Industries (India)	BUY	3,005	2,608
14	TCI Express	Accumulate	1,119	977
15	V.I.P. Industries	Hold	494	472
16	Zee Entertainment Enterprises	Hold	145	132

**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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