

March 4, 2021

Analyst Meet Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	2,179		1,639	
Sales (Rs. m)	30,339	33,425	29,520	32,551
% Chng.	2.8	2.7		
EBITDA (Rs. m)	11,115	12,358	10,461	11,654
% Chng.	6.2	6.0		
EPS (Rs.)	55.2	61.6	52.1	58.3
% Chng.	5.9	5.7		

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	22,755	8,129	30,339	33,425
EBITDA (Rs. m)	7,134	2,237	11,115	12,358
Margin (%)	31.4	27.5	36.6	37.0
PAT (Rs. m)	5,263	1,912	8,826	9,849
EPS (Rs.)	32.9	11.9	55.2	61.6
Gr. (%)	125.1	(63.7)	361.7	11.6
DPS (Rs.)	12.5	4.4	16.5	18.5
Yield (%)	0.6	0.2	0.8	0.9
RoE (%)	44.4	13.6	49.0	40.1
RoCE (%)	56.8	13.1	59.3	48.2
EV/Sales (x)	13.2	36.4	9.8	8.7
EV/EBITDA (x)	42.2	132.2	26.7	23.6
PE (x)	59.6	164.1	35.6	31.9
P/BV (x)	23.6	21.0	14.9	11.2

Key Data

INIR.BO | IRCTC IN

52-W High / Low	Rs.2,015 / Rs.775
Sensex / Nifty	50,846 / 15,081
Market Cap	Rs.314bn/ \$ 4,308m
Shares Outstanding	160m
3M Avg. Daily Value	Rs.9531.8m

Shareholding Pattern (%)

Promoter's	67.40
Foreign	8.38
Domestic Institution	7.67
Public & Others	16.55
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	29.1	43.6	25.3
Relative	28.5	8.4	(5.4)

Jinesh Joshi

jineshjoshi@plindia.com | 91-22-66322238

Conversion delta in ticketing at play

Quick Pointers:

- Volume delta in ticketing due to conversion of unreserved coaches to reserved category is likely to be in the range of 35%.
- The mobile catering contracts that were in abeyance got terminated due to change in scope of work (shift from cooked to ready to eat meals).

We increase our EPS estimates by 5.9%/5.7% for FY22E/FY23E respectively as conversion of certain unreserved coaches to reserved category can result in volume delta of ~35%. Except for the first 10 days of Jan, non-suburban PRS traffic registered growth in every subsequent 10-day bucket period, indicating that conversion factor is driving traffic growth in 4QFY21. As a result, we have increased our e-ticketing volume estimates to 369.7mn/401.7mn for FY22E/FY23E respectively; a ~13% odd upgrade for both the years. On catering front, management highlighted that cancelled contracts were already in abeyance with no change in catering policy so far. Even with complete migration towards ready-to-eat (RTE) meals post-COVID, there may not be a substantial business loss as RTE menu has already been expanded. Thus, we have not tinkered our catering revenue estimates, meaningfully.

We increase our target P/E multiple to 35x (earlier 28x) and arrive at a revised TP of Rs2,179 (earlier Rs1,639) as conversion of unreserved coaches to reserved category is a sustainable structural lever. Further, we do not rule out earnings optionality arising from 1) railway privatization 2) non-convenience income and 3) potential in e-catering business which gives us additional comfort. Retain BUY.

Ticketing volumes to rise due to conversion factor: Given that volume delta from conversion of unreserved coaches into reserved category can be in the range of ~35%, we now expect e-ticketing volumes of 369.7mn in FY22E and 401.7mn in FY23E. Consequently, we have increased our EBIT estimates for the internet ticketing division by 10.9%/10.2% for FY22E/FY23E respectively.

No change in catering policy; fresh contracts to be awarded soon: The mobile catering contracts which got terminated were already in abeyance and there has been no change in catering policy so far. Further, RTE menu options have been expanded and fresh contracts will be awarded soon.

Con-call highlights: 1) For most contracts that are terminated, license fee refund has already been provided 2) Operation of Golden Chariot train is expected to start from 14th March 2021 3) Capex lined up for hotels business is in the range of Rs2bn over 3-4 years 4) Privatization opportunity pertains to additional 150 trains (12 clusters) 5) Opportunity pie of co-branded cards can rise, as IRCTC plans to enter into agreements with banks like HDFC and Canara Bank 6) Payment gateway charges have potential to rise as this gateway may be possibly used to transact other government websites too. They also have open wallet.



Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	22,755	8,129	30,339	33,425
YoY gr. (%)	21.7	(64.3)	273.2	10.2
Cost of Goods Sold	1,378	398	2,165	2,532
Gross Profit	21,377	7,731	28,174	30,893
Margin (%)	93.9	95.1	92.9	92.4
Employee Cost	2,440	2,032	2,700	2,941
Other Expenses	1,240	854	1,547	1,604
EBITDA	7,134	2,237	11,115	12,358
YoY gr. (%)	86.2	(68.6)	397.0	11.2
Margin (%)	31.4	27.5	36.6	37.0
Depreciation and Amortization	399	383	442	523
EBIT	6,735	1,853	10,673	11,836
Margin (%)	29.6	22.8	35.2	35.4
Net Interest	73	61	55	53
Other Income	781	900	1,150	1,350
Profit Before Tax	7,442	3,115	11,768	13,132
Margin (%)	32.7	38.3	38.8	39.3
Total Tax	2,168	781	2,942	3,283
Effective tax rate (%)	29.1	25.1	25.0	25.0
Profit after tax	5,275	2,334	8,826	9,849
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	5,263	1,912	8,826	9,849
YoY gr. (%)	125.1	(63.7)	361.7	11.6
Margin (%)	23.1	23.5	29.1	29.5
Extra Ord. Income / (Exp)	11	423	-	-
Reported PAT	5,275	2,334	8,826	9,849
YoY gr. (%)	94.5	(55.7)	278.1	11.6
Margin (%)	23.2	28.7	29.1	29.5
Other Comprehensive Income	(37)	3	-	-
Total Comprehensive Income	5,238	2,338	8,826	9,849
Equity Shares O/s (m)	160	160	160	160
EPS (Rs)	32.9	11.9	55.2	61.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	4,768	5,131	5,831	6,731
Tangibles	4,295	4,659	5,359	6,259
Intangibles	473	473	473	473
Acc: Dep / Amortization	2,208	2,591	3,033	3,555
Tangibles	1,779	2,162	2,603	3,126
Intangibles	429	429	429	429
Net fixed assets	2,560	2,541	2,799	3,176
Tangibles	2,517	2,497	2,755	3,133
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	727	941	1,051
Other Non-Current Assets	263	325	425	468
Current Assets				
Investments	-	-	-	-
Inventories	98	45	166	183
Trade receivables	7,894	2,672	8,894	9,799
Cash & Bank Balance	12,964	17,997	17,063	21,881
Other Current Assets	6,025	6,175	8,300	9,084
Total Assets	32,498	32,684	40,226	47,400
Equity				
Equity Share Capital	1,600	1,600	1,600	1,600
Other Equity	11,678	13,316	19,494	26,388
Total Network	13,278	14,916	21,094	27,988
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	489	650	758	836
Other non current liabilities	78	98	91	100
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,695	601	2,244	2,473
Other current liabilities	16,168	15,851	15,735	15,669
Total Equity & Liabilities	32,498	32,684	40,226	47,400

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	7,454	2,693	11,768	13,132
Add. Depreciation	399	383	442	523
Add. Interest	-	-	-	-
Less Financial Other Income	781	900	1,150	1,350
Add. Other	(456)	426	-	-
Op. profit before WC changes	7,397	3,502	12,210	13,655
Net Changes-WC	(774)	3,392	(6,855)	(1,699)
Direct tax	(2,569)	(781)	(2,942)	(3,283)
Net cash from Op. activities	4,053	6,113	2,413	8,673
Capital expenditures	(348)	(416)	(700)	(900)
Interest / Dividend Income	661	-	-	-
Others	(191)	36	-	-
Net Cash from Inv. activities	122	(380)	(700)	(900)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(2,681)	(700)	(2,648)	(2,955)
Interest paid	-	-	-	-
Others	(121)	-	-	-
Net cash from Fin. activities	(2,802)	(700)	(2,648)	(2,955)
Net change in cash	1,373	5,033	(935)	4,818
Free Cash Flow	3,700	5,697	1,713	7,773

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	32.9	11.9	55.2	61.6
CEPS	35.4	14.3	57.9	64.8
BVPS	83.0	93.2	131.8	174.9
FCF	23.1	35.6	10.7	48.6
DPS	12.5	4.4	16.5	18.5
Return Ratio(%)				
RoCE	56.8	13.1	59.3	48.2
ROIC	(429.6)	(35.6)	850.0	333.8
RoE	44.4	13.6	49.0	40.1
Balance Sheet				
Net Debt : Equity (x)	(1.0)	(1.2)	(0.8)	(0.8)
Net Working Capital (Days)	101	95	82	82
Valuation(x)				
PER	59.6	164.1	35.6	31.9
P/B	23.6	21.0	14.9	11.2
P/CEPS	55.4	136.7	33.9	30.3
EV/EBITDA	42.2	132.2	26.7	23.6
EV/Sales	13.2	36.4	9.8	8.7
Dividend Yield (%)	0.6	0.2	0.8	0.9

Source: Company Data, PL Research

Quarterly Financials (Rs m)

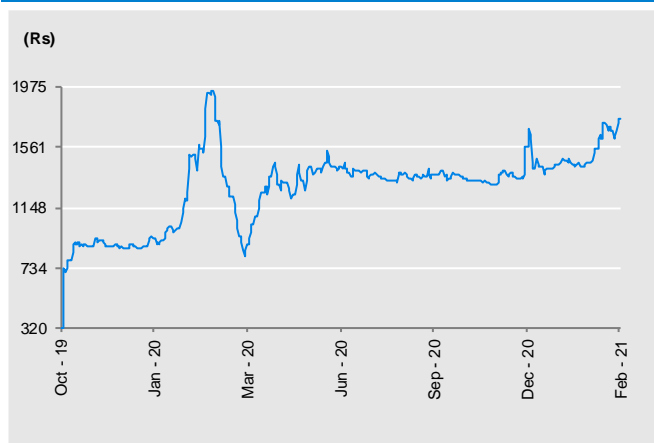
Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Net Revenue	5,869	1,313	886	2,244
YoY gr. (%)	17.9	(71.4)	(82.7)	(68.7)
Raw Material Expenses	252	87	46	155
Gross Profit	5,617	1,227	839	2,089
Margin (%)	95.7	93.4	94.8	93.1
EBITDA	2,019	(439)	(56)	946
YoY gr. (%)	185.9	NA	NA	NA
Margin (%)	34.4	NA	NA	42.2
Depreciation / Depletion	104	90	89	96
EBIT	1,915	(529)	(145)	850
Margin (%)	32.6	NA	NA	37.9
Net Interest	29	17	13	14
Other Income	199	251	202	209
Profit before Tax	2,086	(294)	43	1,045
Margin (%)	35.5	NA	4.9	46.6
Total Tax	584	(48)	140	263
Effective tax rate (%)	28.0	16.3	325.8	25.2
Profit after Tax	1,502	(246)	(97)	782
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,506	(246)	(97)	782
YoY gr. (%)	223.3	NA	NA	NA
Margin (%)	25.7	NA	NA	34.8
Extra Ord. Income / (Exp)	-	-	424	(1)
Reported PAT	1,506	(246)	326	781
YoY gr. (%)	223.3	NA	NA	(62.1)
Margin (%)	25.7	NA	36.9	34.8
Other Comprehensive Income	(7)	(6)	15	-
Total Comprehensive Income	1,499	(252)	341	-
Avg. Shares O/s (m)	160	160	160	160
EPS (Rs)	9.4	(1.5)	(0.6)	4.9

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	29-Jan-21	BUY	1,639	1,456
2	11-Jan-21	BUY	1,629	1,472
3	13-Nov-20	BUY	1,629	1,380
4	09-Oct-20	BUY	1,647	1,356
5	14-Sep-20	BUY	1,645	1,368
6	11-Jul-20	Accumulate	1,495	1,401
7	16-Apr-20	BUY	1,428	1,292
8	24-Mar-20	BUY	1,656	858

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Accumulate	209	172
3	Indian Railway Catering and Tourism Corporation	BUY	1,639	1,456
4	Inox Leisure	BUY	397	330
5	Music Broadcast	Hold	24	23
6	Navneet Education	Accumulate	94	84
7	PVR	BUY	1,673	1,475
8	S Chand and Company	BUY	89	68
9	V.I.P. Industries	Accumulate	376	355
10	Zee Entertainment Enterprises	BUY	296	249

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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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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