

Q4FY22 Result Highlights

- **Ticketing volume growth strong; Focus will be to improve non convenience fees** – Revenues grew 104% YoY/~28% QoQ to ₹6,909.6mn largely driven by 38.1% YoY revenue growth in the Internet ticketing segment. Internet Ticketing EBIT stood at ₹2,678mn, translating into EBIT margin of 91.5% compared to 81.9% YoY (84.8% in Q3FY22 v/s 83.1% / 76.3% in Q2FY22 / Q3FY21). Despite the Omicron wave related restrictions in the initial part of the quarter, IRCTC witnessed QoQ revenue growth in all segments (except Internet ticketing which de-grew 6.4% QoQ). EBITDA grew +92% YoY/flat QoQ to ₹2,785.4mn with margin at 40.3% (-251 bps YoY and -1,137 bps QoQ). Net Profit grew ~182% YoY and ~40% QoQ to ₹2,921.4mn. Q4FY22 saw 1.29mn average daily ticketing volumes and the months of Apr'22 and May'22 have also seen similar levels. 2S reservations are still happening in Q1FY23, as the 2S reversal timeline varies across trains; but most of the reversal is expected to be completed by end-Jun'22. The impact from 2S reversal would be clearer only by then. 2S class accounted for 36% of ticketing volumes in Q4FY22. 37% came from the sleeper class and the remaining came from higher classes (mostly AC). Management expects average daily ticketing volumes post the 2S reversal to be much higher than 0.85mn (pre-pandemic) as online penetration is now higher at 82% v/s 73% earlier. 417.4mn tickets (734.3mn passengers) were booked on the IRCTC portal/app in FY22, aggregating to ₹380bn bookings value. Reserved classes account for only 7% of total tickets booked (including suburban trains) and this could result in upsides to IRCTC over time. In FY22, the total Internet ticketing revenue was ₹10.21bn, of which convenience fee income was ₹6.84bn. Non-convenience fee income of ₹3.37bn is well above ₹2.38bn in FY20. IRCTC would focus on this revenue stream, especially with convenience fee income seeing limited upside considering the 82% online penetration and no price increases planned for the near future. The above ₹3.37bn revenue is split as ₹1.73bn revenue from online travel agencies (OTA) and agents, ₹0.56bn from the payment gateway (well above pre-pandemic level), ₹0.33bn from advertisements (almost near pre-pandemic level), ₹0.37bn from co-branded credit cards and ₹0.35bn from I-Pay (mobile wallet). The company plans to incur ₹800-900mn capex on ticketing system upgrade in FY23.

- **Catering segment growth driven by quick progress on tendering of catering contracts** – Catering Revenue saw 295%/154.3% YoY/QoQ growth to ₹2,662mn, with segmental EBIT turning from LTP since the onset of the pandemic at ₹251mn. Catering EBIT margin was 9.4% in Q4FY22. Quick awards of catering contracts after the IR allowed cooked food in late Nov'21 enabled a quick ramp-up in catering revenue in Q4FY22. Train Side Vending (TSV) contracts were awarded and saw higher licence fee income. Static catering was also aided by a recovery in footfalls; hence licence fee was restored to the prepandemic level. The full benefit of the above is not reflected in the Q4FY22 numbers and the entire revenue flow-through will come only by end of Jun'22. IRCTC has to share 40% of PBT with IR on mobile catering, static catering, e-catering and refreshment-room upgrade. This 40% PBT share has stayed unchanged in recent years.

IRCTC operates Executive Lounges in 8 railway stations. The scope of retirement-room upgrade is now pan India and IRCTC is also upgrading executive lounges. These are part of the catering segment and there will be some increase in licence fee income from these going forward.

Important Statistics

MCAP (₹bn)	550.1
52 Week H/L (₹)	1,279/378
NSE Code	IRCTC
BSE Code	542830

Shareholding Pattern (%)	Mar'22
Promoter	67.4
DII	5.2
FII	6.4
Public & Others	21.0

Financials

	(₹ mn)			
Particulars	FY19	FY20	FY21	FY22P
Revenue	18,682	22,755	7,831	18,795
EBITDA	3,832	7,134	1,878	8,807
EBITDA Margin (%)	20.5	31.4	24.3	46.9
Net Profit	2,712	5,275	1,870	6,637
EPS (₹)	3.4	6.6	2.3	8.3
DPS (₹)	7.6	12.5	5.0	3.5
P/E (x)	202.8	104.3	294.1	82.9
EV/EBITDA (x)	25.8	13.9	49.6	60.5
P/BV (x)	10.3	8.3	37.8	29.2
RoE (%)	23.4	44.4	10.8	39.9
RoCE (%)	35.5	56.8	4.5	21.7

Particulars	FY23E	FY24E
Revenue	32,174	36,836
EBITDA	12,636	14,780
EBITDA Margin (%)	39.3	40.1
Net Profit	9,693	10,775
EPS (₹)	12.1	13.5
DPS (₹)	8.0	9.0
P/E (x)	56.8	51.1
EV/EBITDA (x)	44.6	38.7
P/BV (x)	23.7	19.2
RoE (%)	44.4	40.7
RoCE (%)	52.4	51.8

Source: Company, Way2Wealth

- **15% PBT share to IR on Rail Neer** – The packaged drinking water segment saw ~87%/~4% YoY/QoQ revenue growth to ₹519mn. Consequently, EBIT loss saw a sharp YoY growth from ₹6mn to ₹243mn, since in 2007 IRCTC and IR had signed an MoU that IRCTC would share 15% of PBT from the packaged drinking water segment with IR. With the reconciliation exercise between the two entities is now complete, IRCTC made ₹271mn provision in Q4FY22 on the ₹1.8bn PBT in Rail Neer segment earned from 2007 to 2021. Going forward, IRCTC would share 15% of segmental PBT with IR.
- **As per the management the travel & tourism segment has witnessed good recovery in Apr'22** and saw a significant narrowing in losses both, QoQ and YoY. The EBIT loss declined from ₹704mn/₹422mn to ₹461mn/₹24mn in FY22/Q4FY22. Tejas trains contributed to ₹215mn/₹530mn revenue in Q4FY22/FY22. In Q4FY22, the trains witnessed ₹40mn operating loss as occupancy was low during the third Covid wave. Occupancy level is now higher than 70% and closer to the 75% break-even levels.
- FY22 saw ₹5.2bn FCF generation, and its net cash position as of end Mar'22 rose to ₹17.3bn

View

IRCTC continued to log robust revenue growth in Q4FY22 led by easing of covid curbs. Profitability observed some drag due to increase in catering revenue and loss in Rail Neer. In the longer term, the company will benefit from increased license income in catering as it returns to pre covid levels. Moreover, addition of license revenue from new ventures (retiring room up-gradation) would further improve catering income. This coupled with increase in travelling will boost tourism revenues. In addition, with increased acceptance of online ticket booking, we expect internet ticketing to remain robust. Further, Rail Neer & tourism are also expected to improve led by easing of covid restriction and increase in travelling. The company's focus on e-catering initiatives and increasing revenues from advertisement & license fees bodes well for long term profitability of the company. **Given the monopolistic nature of the business we continue our view as an ACCUMULATE stock trading at P/E 51.1x FY24E EPS of ₹13.5.**

2nd June 2022

CMP – ₹687.6/-

View – ACCUMULATE

Financial Performance

(₹mn)

Particulars	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ(%)	FY22	FY21	YoY (%)
Revenue	6,909.6	3,387.9	104.0	5,402.1	27.9	18,794.8	7,766.6	142.0
Cost of matl.	129.9	126.1	3.1	126.2	3.0	401.3	127.4	215.1
Stock Purchases	253.8	64.3	295.0	139.6	81.8	658.0	321.6	104.6
Inventories Changes	9.2	0.6	1,422.6	(12.1)	175.5	(4.3)	24.2	(117.7)
Catering Services Exps	1,704.5	164.1	938.4	533.0	219.8	2,708.3	1,089.6	148.6
Tourism Exps	674.2	500.3	34.8	603.6	11.7	1,669.5	703.6	137.3
Manufacturing Exps	338.9	189.1	79.2	330.5	2.5	1,110.4	626.4	77.3
Employee Exps	555.5	553.3	0.4	655.3	(15.2)	2,374.4	2,062.9	15.1
Other Exps	458.3	339.2	35.1	234.3	95.6	1,070.0	933.5	14.6
EBITDA	2,785.4	1,450.8	92.0	2,791.8	(0.2)	8,807.3	1,877.6	369.1
EBITDA Margin (%)	40.3	42.8	(251)	51.7	(1,137)	46.9	24.2	2,269
Other Income	258.3	194.6	32.7	163.0	58.5	728.3	849.8	(14.3)
Depreciation	141.9	187.3	(24.3)	117.5	20.7	489.9	463.5	5.7
Finance Cost	29.8	37.4	(20.4)	21.8	36.5	110.5	82.8	33.5
Exps Items	(40.0)	(28.8)	39.2	-	-	(40.0)	394.0	(110.2)
PBT	2,832.0	1,392.0	103.4	2,815.4	0.6	8,895.1	2,575.1	245.4
Tax	(89.4)	354.2	(125.2)	727.3	(112.3)	2,258.2	704.9	220.4
Net Profit	2,921.4	1,037.9	181.5	2,088.1	39.9	6,636.9	1,870.3	254.9
EPS (₹)	3.7	1.3	181.5	2.6	39.9	8.3	2.3	254.9
As % Sales			BPS		BPS			BPS
Raw Matl Cost	5.7	5.6	5	4.7	99	5.6	6.1	(48)
OPEX	45.0	30.8	1,419	31.9	1,316	34.8	37.2	(243)
Employee Exps	8.0	16.3	(829)	12.1	(409)	12.6	26.6	(1,393)
Other Exps	6.6	10.0	(338)	4.3	230	5.7	12.0	(633)

Source: Company, Way2Wealth

Segmental Revenue Break up

(₹mn)

Revenue	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ(%)	FY22	FY21	YoY (%)
Catering	2,662	674	295.0	1,047	154.3	4,990	2,231	123.7
% of Total Revenue	38.5	19.9		19.4		26.5	48.7	
Internet Ticketing	2,928	2,120	38.1	3,129	(6.4)	10,210	4,425	130.7
% of Total Revenue	42.4	62.6		57.9		54.3	42.6	
Tourism	542	316	71.8	683	(20.5)	1,570	539	191.5
% of Total Revenue	7.9	9.3		12.6		8.4	3.1	
Rail Neer	519	278	86.6	499	3.9	1,723	572	200.9
% of Total Revenue	7.5	8.2		9.2		9.2	5.7	
State Teertha	258	-	NM	45	474.0	303	-	NM
% of Total Revenue	3.7	-		0.8		1.6	-	

Source: Company, Way2Wealth

Segmental EBIT Break up

(₹mn)								
EBIT	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ(%)	FY22	FY21	YoY (%)
Catering	251	(72)	448.3	57	339.0	260	(844)	130.8
Margin (%)	9.4	(10.7)		5.5		5.2	(64.6)	
Internet Ticketing	2,678	1,737	54.2	2,652	1.0	8,702	1,796	384.6
Margin (%)	91.5	81.9		84.8		85.2	75.3	
Tourism	(24)	(422)	(94.2)	(79)	(69.2)	(461)	(704)	(34.5)
Margin (%)	(4.5)	(133.8)		(11.6)		(29.4)	(242.0)	
Rail Neer	(243)	(6)	4,090.1	51	(581.5)	(147)	(54)	170.7
Margin (%)	(46.9)	(2.1)		10.1		(8.5)	(22.4)	
State Teertha	24	-	NM	6	-	30	-	NM
Margin (%)	9.3	-		12.8		9.8	-	

Source: Company, Way2Wealth

Financials & Valuations

(₹mn)						
Particulars	FY19	FY20	FY21	FY22P	FY23E	FY24E
Revenue	18,682	22,755	7,767	18,795	32,174	36,836
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P/BV (x)	10.3	8.3	37.8	29.2	23.7	19.2
RoE (%)	23.4	44.4	10.8	39.9	44.4	40.7
RoCE (%)	35.5	56.8	4.5	21.7	52.4	51.8
Cash Balances	11,400	12,838	14,605	17,316	20,508	24,877
Debtor Days	111	110	252	120	115	100
Creditor Days	65	62	111	70	69	65
Inventory Days	2	2	3	2	2	2

Source: Company, Way2Wealth

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Disclosure of Interest Statement Indian Railway Catering & Tourism Corporation Ltd.(IRCTC) as on 2nd June 2022

Name of the Security	Indian Railway Catering & Tourism Corporation Ltd (IRCTC)
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	
Financial Interest	No
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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