

August 13, 2021

Q1FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	HOLD		BUY	
Target Price	2,654		2,329	
Sales (Rs. m)	16,018	32,500	16,330	32,420
% Chng.	(1.9)	0.2		
EBITDA (Rs. m)	7,172	12,601	6,730	12,077
% Chng.	6.6	4.3		
EPS (Rs.)	35.4	61.6	33.4	59.1
% Chng.	5.9	4.2		

Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	22,643	7,831	16,018	32,500
EBITDA (Rs. m)	7,003	1,915	7,172	12,601
Margin (%)	30.9	24.5	44.8	38.8
PAT (Rs. m)	5,109	1,517	5,664	9,848
EPS (Rs.)	31.9	9.5	35.4	61.6
Gr. (%)	118.5	(70.3)	273.3	73.9
DPS (Rs.)	12.5	5.0	10.6	18.5
Yield (%)	0.5	0.2	0.4	0.7
RoE (%)	43.4	10.9	34.0	44.5
RoCE (%)	56.0	10.4	40.0	54.4
EV/Sales (x)	18.2	52.5	25.6	12.6
EV/EBITDA (x)	58.9	214.7	57.1	32.4
PE (x)	83.3	280.6	75.2	43.2
P/BV (x)	32.4	29.0	22.8	16.6

Key Data

INIR.BO | IRCTC IN

52-W High / Low	Rs.2,729 / Rs.1,290
Sensex / Nifty	55,437 / 16,529
Market Cap	Rs.426bn/ \$ 5,734m
Shares Outstanding	160m
3M Avg. Daily Value	Rs.8672.03m

Shareholding Pattern (%)

Promoter's	67.40
Foreign	8.07
Domestic Institution	11.29
Public & Others	13.25
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	17.0	53.6	92.2
Relative	11.4	42.8	32.8

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Positives priced in; cut to HOLD

Quick Pointers:

- 63.7mn tickets were booked online resulting in convenience fee income of ~Rs1,040mn in 1QFY22.
- ~2,750 trains are operating in the month of August.

While we increase our FY22/FY23 EPS estimates by 6%/4% respectively to account for improved ticketing delta arising from conversion of certain coaches into reserved category (July's non-suburban PRS traffic of 67.5mn is best ever since Jan-19) and better than expected 1Q performance we cut our rating to HOLD given ~31% appreciation in stock price over the last 1.5 months. Our EPS CAGR of 37% over FY22-FY24 factors in most positives viz; 1) rail neer expansion 2) catering price hike and 3) ticketing volume cushion from conversion factor leaving little room for earnings surprise. Though IRCTC is a good play on the ongoing unlock theme valuations at 43x FY23EPS and 40x FY24EPS price in the recovery opportunity and strong growth prospects. We thus cut our rating to HOLD with a revised TP of Rs2,654 (earlier Rs2,329) valuing the stock at 41x (earlier 38x) Sep23 EPS. Earnings optionality arising from 1) railway privatization (bids for 3 clusters have already been received) 2) non-convenience income (especially pertaining to payment gateway) and 3) potential in e-catering business (commission increased from 12% to 15%) present an upside risk to our rating.

Top-line increases 85.3% YoY: Revenues increased 85.3% YoY to Rs2,434mn (PLe of Rs2,131mn) due to base effect (lockdown/travel restrictions were severe in 1QFY21) and benefit arising from shift in volumes to 2S category. Revenues from Internet Ticketing/Rail Neer/Tourism increased 325.7% YoY/799.9% YoY/151.1% YoY to Rs1,500mn/Rs293mn/Rs74mn respectively. However, revenues from Catering declined 36.9% YoY to Rs567mn. State Teertha revenues were NIL

Internet Ticketing & Rail Neer reports profit: EBITDA stood at Rs1,115mn (PLe Rs929mn) versus a loss of Rs439mn in 1QFY21. EBITDA margin was 45.8% (PLe of 43.6%) as against 43.2% in 4QFY21. Internet ticketing division reported EBIT margin of 77.9% whereas Rail Neer witnessed breakeven with 6.2% margin. Catering and Tourism reported EBIT losses for 5th straight quarter.

Con-call highlights: 1) As of August, ~2,750 trains were operating (~700 short when compared to pre-COVID levels). 2) Ticketing mix for 1Q is as follows: 2nd class:- 39%, sleeper class:- 39%, 3-AC:-14%, AC-chair:-2% and balance-AC:- 3% 3) Online tickets booked in July stand at ~34.4mn 4) Share of UPI transactions stood at 26% 5) Commission on e-catering has increased from 12% to 15% 6) Rail Neer capacity is 14.8lac bottles per day and production in 1Q is ~32-35% of the capacity. Till June, 14 plants were operational and 1 additional plant was commissioned in July 7) Ad-revenue for quarter stood at Rs85mn 8) Catering services are being provided in 572 trains as compared to 430 trains as of 31st March 9) Cash balance stood at Rs16.1bn as of 30th June. 10) License fee contribution in catering revenue was ~Rs440mn.

Exhibit 1: Q1FY22 Result Overview (Rs mn)

Y/e March	Q1FY22	Q1FY21	YoY gr.	Q4FY21	QoQ gr.
Net sales	2,434	1,313	85.3%	3,388	-28.2%
Total raw material cost	196	87	126.8%	191	2.8%
<i>As a % of sales</i>	<i>8.1%</i>	<i>6.6%</i>		<i>5.6%</i>	
Expenses of catering	190	689	-72.4%	164	16.0%
<i>As a % of sales</i>	<i>7.8%</i>	<i>52.4%</i>		<i>4.8%</i>	
Expenses of tourism	90	25	259.2%	500	-82.1%
<i>As a % of sales</i>	<i>3.7%</i>	<i>1.9%</i>		<i>14.8%</i>	
Manufacturing & direct expenses	186	125	48.7%	189	-1.8%
<i>As a % of sales</i>	<i>7.6%</i>	<i>9.5%</i>		<i>5.6%</i>	
Employee expenses	483	496	-2.7%	553	-12.8%
<i>As a % of sales</i>	<i>19.8%</i>	<i>37.8%</i>		<i>16.3%</i>	
Other expenses	174	331	-47.4%	327	-46.8%
<i>As a % of sales</i>	<i>7.2%</i>	<i>25.2%</i>		<i>9.6%</i>	
EBITDA	1,115	(439)	NM	1,463	-23.8%
<i>EBITDA margin</i>	<i>45.8%</i>	<i>NM</i>		<i>43.2%</i>	
Depreciation	112	90	24.8%	187	-40.1%
EBIT	1,003	(529)	NM	1,276	-21.4%
EBIT margin	41.2%	NM		37.7%	
Interest cost	38	17	124.7%	37	1.0%
Other income	146	251	-42.1%	195	-25.1%
PBT	1,111	(294)	NM	1,433	-22.5%
Exceptional items	-	0	NM	(41)	NM
Tax expenses	286	(48)	NM	354	-19.4%
<i>Tax rate</i>	<i>25.7%</i>	<i>NM</i>		<i>25.4%</i>	
PAT	825	(246)	NM	1,038	-20.5%
<i>PAT margin</i>	<i>33.9%</i>	<i>NM</i>		<i>30.6%</i>	
EPS (Rs)	5.2	(1.5)	NM	6.5	-20.5%
Adj. PAT	825	(246)	NM	1,079	-23.5%

Source: Company, PL

Exhibit 2: Segmental Breakup (Rs mn)

Y/e March	Q1FY22	Q1FY21	YoY gr.	Q4FY21	QoQ gr.
Catering					
Revenue	567	899	-36.9%	674	-15.8%
<i>As a % of sales</i>	<i>23.3%</i>	<i>68.5%</i>		<i>19.9%</i>	
EBIT	(47)	(487)	NM	(72)	NM
<i>EBIT margin</i>	<i>NM</i>	<i>NM</i>		<i>NM</i>	
Internet ticketing					
Revenue	1,500	352	325.7%	2,120	-29.3%
<i>As a % of sales</i>	<i>61.6%</i>	<i>26.8%</i>		<i>62.6%</i>	
EBIT	1,169	92	1175.4%	1,737	-32.7%
<i>EBIT margin</i>	<i>77.9%</i>	<i>26.0%</i>		<i>81.9%</i>	
Tourism					
Revenue	74	30	151.1%	316	-76.5%
<i>As a % of sales</i>	<i>3.0%</i>	<i>2.2%</i>		<i>9.3%</i>	
EBIT	(145)	(80.0)	NM	(422)	NM
<i>EBIT margin</i>	<i>NM</i>	<i>NM</i>		<i>NM</i>	
State Teertha					
Revenue	-	-	NM	-	NM
<i>As a % of sales</i>	<i>NM</i>	<i>NM</i>		<i>NM</i>	
EBIT	-	-	NM	-	NM
<i>EBIT margin</i>	<i>NM</i>	<i>NM</i>		<i>NM</i>	
Rail Neer					
Revenue	293	33	799.9%	278	5.2%
<i>As a % of sales</i>	<i>12.0%</i>	<i>2.5%</i>		<i>8.2%</i>	
EBIT	18	(5)	NM	(6)	NM
<i>EBIT margin</i>	<i>6.2%</i>	<i>NM</i>		<i>NM</i>	
Total revenues	2,434	1,313	85.3%	3,388	-28.2%

Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	22,643	7,831	16,018	32,500
YoY gr. (%)	21.1	(65.4)	104.6	102.9
Cost of Goods Sold	1,380	479	1,009	2,306
Gross Profit	21,263	7,352	15,010	30,194
Margin (%)	93.9	93.9	93.7	92.9
Employee Cost	2,441	2,066	2,243	2,438
Other Expenses	1,250	964	1,089	1,560
EBITDA	7,003	1,915	7,172	12,601
YoY gr. (%)	82.8	(72.7)	274.5	75.7
Margin (%)	30.9	24.5	44.8	38.8
Depreciation and Amortization	402	463	498	568
EBIT	6,601	1,452	6,674	12,033
Margin (%)	29.2	18.5	41.7	37.0
Net Interest	98	81	72	52
Other Income	781	856	950	1,150
Profit Before Tax	7,285	2,609	7,552	13,131
Margin (%)	32.2	33.3	47.1	40.4
Total Tax	2,165	710	1,888	3,283
Effective tax rate (%)	29.7	27.2	25.0	25.0
Profit after tax	5,120	1,899	5,664	9,848
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	5,109	1,517	5,664	9,848
YoY gr. (%)	118.5	(70.3)	273.3	73.9
Margin (%)	22.6	19.4	35.4	30.3
Extra Ord. Income / (Exp)	11	382	-	-
Reported PAT	5,120	1,899	5,664	9,848
YoY gr. (%)	88.8	(62.9)	198.3	73.9
Margin (%)	22.6	24.3	35.4	30.3
Other Comprehensive Income	(37)	32	47	-
Total Comprehensive Income	5,083	1,931	5,711	9,848
Equity Shares O/s (m)	160	160	160	160
EPS (Rs)	31.9	9.5	35.4	61.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	4,781	5,497	6,197	7,097
Tangibles	4,308	5,001	5,701	6,601
Intangibles	473	496	496	496
Acc: Dep / Amortization	2,208	2,670	3,168	3,736
Tangibles	1,779	2,241	2,739	3,307
Intangibles	429	429	429	429
Net fixed assets	2,573	2,826	3,029	3,361
Tangibles	2,530	2,759	2,962	3,294
Intangibles	43	67	67	67
Capital Work In Progress	162	243	243	243
Goodwill	-	-	-	-
Non-Current Investments	277	276	276	276
Net Deferred tax assets	667	719	906	1,050
Other Non-Current Assets	263	347	400	455
Current Assets				
Investments	-	-	-	-
Inventories	98	65	88	178
Trade receivables	7,779	5,400	5,047	10,240
Cash & Bank Balance	12,964	14,605	16,302	17,766
Other Current Assets	6,034	6,036	7,661	10,144
Total Assets	32,415	31,660	35,186	44,981
Equity				
Equity Share Capital	1,600	1,600	1,600	1,600
Other Equity	11,538	13,070	17,081	23,975
Total Network	13,138	14,670	18,681	25,575
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	723	726	801	813
Other non current liabilities	78	86	112	130
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,705	1,803	1,317	2,404
Other current liabilities	15,964	13,575	13,474	15,247
Total Equity & Liabilities	32,415	31,660	35,186	44,981

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	7,296	2,609	7,552	13,131
Add. Depreciation	402	463	498	568
Add. Interest	-	-	-	-
Less Financial Other Income	781	856	950	1,150
Add. Other	(481)	(631)	47	-
Op. profit before WC changes	7,217	2,441	8,096	13,699
Net Changes-WC	(557)	702	(2,113)	(5,097)
Direct tax	(2,569)	(670)	(1,888)	(3,283)
Net cash from Op. activities	4,091	2,473	4,096	5,319
Capital expenditures	(348)	(772)	(700)	(900)
Interest / Dividend Income	661	512	-	-
Others	(228)	(4,268)	-	-
Net Cash from Inv. activities	84	(4,529)	(700)	(900)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(2,681)	(400)	(1,699)	(2,954)
Interest paid	-	-	-	-
Others	(121)	(68)	-	-
Net cash from Fin. activities	(2,802)	(468)	(1,699)	(2,954)
Net change in cash	1,373	(2,524)	1,697	1,464
Free Cash Flow	3,738	1,699	3,396	4,419

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	31.9	9.5	35.4	61.6
CEPS	34.4	12.4	38.5	65.1
BVPS	82.1	91.7	116.8	159.8
FCF	23.4	10.6	21.2	27.6
DPS	12.5	5.0	10.6	18.5
Return Ratio(%)				
RoCE	56.0	10.4	40.0	54.4
ROIC	(392.9)	(150.8)	1,339.1	206.9
RoE	43.4	10.9	34.0	44.5
Balance Sheet				
Net Debt : Equity (x)	(1.0)	(1.0)	(0.9)	(0.7)
Net Working Capital (Days)	99	171	87	90
Valuation(x)				
PER	83.3	280.6	75.2	43.2
P/B	32.4	29.0	22.8	16.6
P/CEPS	77.2	215.0	69.1	40.9
EV/EBITDA	58.9	214.7	57.1	32.4
EV/Sales	18.2	52.5	25.6	12.6
Dividend Yield (%)	0.5	0.2	0.4	0.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Net Revenue	886	2,244	3,388	2,434
YoY gr. (%)	(82.7)	(68.7)	(41.2)	85.3
Raw Material Expenses	46	155	191	196
Gross Profit	839	2,089	3,197	2,237
Margin (%)	94.8	93.1	94.4	91.9
EBITDA	(56)	946	1,463	1,115
YoY gr. (%)	(103.9)	(64.4)	(22.5)	(354.2)
Margin (%)	(6.3)	42.2	43.2	45.8
Depreciation / Depletion	89	96	187	112
EBIT	(145)	850	1,276	1,003
Margin (%)	(16.4)	37.9	37.7	41.2
Net Interest	13	14	37	38
Other Income	202	209	195	146
Profit before Tax	43	1,045	1,433	1,111
Margin (%)	4.9	46.6	42.3	45.6
Total Tax	140	263	354	286
Effective tax rate (%)	325.8	25.2	24.7	25.7
Profit after Tax	(97)	782	1,079	825
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(97)	782	1,079	825
YoY gr. (%)	(109.8)	(62.0)	(20.2)	(435.4)
Margin (%)	(11.0)	34.8	31.8	33.9
Extra Ord. Income / (Exp)	424	(1)	(41)	-
Reported PAT	326	781	1,038	825
YoY gr. (%)	(67.3)	(62.1)	(23.2)	(435.4)
Margin (%)	36.9	34.8	30.6	33.9
Other Comprehensive Income	15	(6)	29	47
Total Comprehensive Income	341	775	1,067	872
Avg. Shares O/s (m)	160	160	160	160
EPS (Rs)	(0.6)	4.9	6.7	5.2

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-21	BUY	2,329	2,169
2	30-Jun-21	BUY	2,329	2,034
3	07-Apr-21	BUY	2,179	1,707
4	04-Mar-21	BUY	2,179	1,961
5	29-Jan-21	BUY	1,639	1,456
6	11-Jan-21	BUY	1,629	1,472
7	13-Nov-20	BUY	1,629	1,380
8	09-Oct-20	BUY	1,647	1,356
9	14-Sep-20	BUY	1,645	1,368

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Hold	193	183
3	Indian Railway Catering and Tourism Corporation	BUY	2,329	2,169
4	Inox Leisure	BUY	380	316
5	Music Broadcast	Hold	24	25
6	Navneet Education	Accumulate	111	102
7	PVR	BUY	1,625	1,400
8	S Chand and Company	BUY	146	113
9	V.I.P. Industries	BUY	457	386
10	Zee Entertainment Enterprises	BUY	253	197

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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