

February 14, 2024

Q3FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		HOLD	
Target Price	825		749	
Sales (Rs. m)	47,201	50,320	45,745	48,889
% Chng.	3.2	2.9		
EBITDA (Rs. m)	16,704	17,827	16,230	17,257
% Chng.	2.9	3.3		
EPS (Rs.)	16.4	17.4	15.7	16.6
% Chng.	4.0	4.4		

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	35,415	42,572	47,201	50,320
EBITDA (Rs. m)	12,762	15,006	16,704	17,827
Margin (%)	36.0	35.3	35.4	35.4
PAT (Rs. m)	9,787	12,108	13,107	13,889
EPS (Rs.)	12.2	15.1	16.4	17.4
Gr. (%)	47.5	23.7	8.3	6.0
DPS (Rs.)	5.5	5.7	6.6	6.9
Yield (%)	0.6	0.6	0.7	0.7
RoE (%)	44.9	42.9	36.8	31.8
RoCE (%)	56.0	51.1	45.0	39.1
EV/Sales (x)	20.4	16.9	15.1	14.0
EV/EBITDA (x)	56.7	48.0	42.7	39.6
PE (x)	76.0	61.4	56.7	53.5
P/BV (x)	30.0	23.5	18.8	15.5

Key Data

INIR.BO | IRCTC IN

52-W High / Low	Rs.1,050 / Rs.557
Sensex / Nifty	71,833 / 21,840
Market Cap	Rs.743bn / \$ 8,953m
Shares Outstanding	800m
3M Avg. Daily Value	Rs.6324.87m

Shareholding Pattern (%)

Promoter's	62.40
Foreign	7.34
Domestic Institution	11.98
Public & Others	18.28
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.3)	43.0	44.7
Relative	(1.3)	30.2	23.0

Jinesh Joshi

jineshjoshi@plindia.com | 91-22-66322238

Stuti Beria

stutiberia@plindia.com | 91-22-66322246

Catering business continues to surprise

Quick Pointers:

- ~115mn tickets booked, that yielded convenience fee revenue of ~Rs2.2bn.

Indian Railway Catering & Tourism Corporation (IRCTC IN) reported better than expected top-line performance with revenues of Rs11.1bn (PLe Rs10.3bn) led by a beat in the catering division. However, bottom-line was impacted by a one-off charge of Rs145mn amid provisioning pertaining to share in Rail Neer profits with Indian Railways. Given strong performance from catering division led by introduction of Vande Bharat trains, rising FTR bookings and expansion of business outside of Railways we re-align our growth & EBIT margin assumptions resulting in an EPS upgrade of ~3-4% over FY24E-FY26E. We expect PAT CAGR of 12% over FY23-FY26E and retain HOLD on the stock with a revised TP of Rs825 (earlier Rs749) as we increase our target multiple to 47.5x (earlier 45x; escalation of ~5% odd) to account for optionality arising from catering business.

Revenue increases 21.8% YoY: Revenues increased 21.8% YoY to Rs11,183mn (PLe of Rs10,367mn) on the back of higher than expected catering revenues. Revenues from State Teertha/Catering/Rail Neer/Tourism/Internet Ticketing was up 9.7% YoY/28.8% YoY/6.0% YoY/37.0% YoY/11.4% YoY to Rs280mn (PLe Rs344mn)/Rs5,078mn (PLe Rs4,355mn)/Rs838mn (PLe Rs932mn)/Rs1,675mn (PLe Rs1,528mn)/ Rs3,353mn (PLe Rs3,207mn) respectively. All the segments were EBIT positive except for Rail Neer.

EBITDA/adjusted PAT jumps 20.9%/23.7% YoY respectively: EBITDA increased 20.9% YoY to Rs3,940mn (PLe Rs3,736mn) with a margin of 35.2% (PLe of 36.0%). Adjusted PAT stood at Rs3,145mn (PLe of Rs2,950mn) up by 23.7% YoY with a margin of 28.1% (PLe 28.5%). There was an exceptional charge of Rs145mn due to higher provisioning pertaining to share in Rail Neer profits with Ministry of Railways.

Con-call highlights: 1) Catering EBIT margin declined on sequential basis due to increase in share of pre-paid trains that have lower margin. **2)** Cash balance stood at ~Rs23bn. **3)** Rail Neer's capacity utilization was 75%, with current production capacity of 1.70mn bottles per day. The target for FY25E is to increase the capacity to 1.84mn bottles per day. **4)** Tourism revenue growth was primarily attributed to Bharat Gaurav trains (11 under operation), which cater to rail-based mass tourism. Additionally, IRCTC has signed a MoU with the Uttarakhand government, further enhancing its tourism offerings. **5)** Catering revenue surged due to introduction of Vande Bharat trains (41 under operations) and increase in contracts from 1,200 to 1,518 odd. Additionally, FTR bookings rose, and 8 non-railway catering projects commenced, with 7 in pipeline. Recent partnership with Zomato further boosted catering revenues. **6)** New catering contracts with long term tenders are being rolled out.



Exhibit 1: Q3FY24 Result Overview (Rs mn)

Y/e March	3QFY24	3QFY23	YoY gr.	2QFY24	QoQ gr.	9MFY24	9MFY23	YoY gr.
Net sales	11,183	9,181	21.8%	9,953	12.4%	31,154	25,765	20.9%
Total raw material cost	691	527	31.2%	553	25.0%	1,938	1,468	32.0%
<i>As a % of sales</i>	<i>6.2%</i>	<i>5.7%</i>		<i>5.6%</i>		<i>6.2%</i>	<i>5.7%</i>	
Expenses of catering	3,487	2,839	22.8%	2,914	19.7%	9,730	7,757	25.4%
<i>As a % of sales</i>	<i>31.2%</i>	<i>30.9%</i>		<i>29.3%</i>		<i>31.2%</i>	<i>30.1%</i>	
Expenses of tourism	1,492	1,123	32.8%	1,406	6.1%	4,000	2,891	38.4%
<i>As a % of sales</i>	<i>13.3%</i>	<i>12.2%</i>		<i>14.1%</i>		<i>12.8%</i>	<i>11.2%</i>	
Manufacturing & direct expenses	436	377	15.7%	404	8.0%	1,220	1,230	-0.8%
<i>As a % of sales</i>	<i>3.9%</i>	<i>4.1%</i>		<i>4.1%</i>		<i>3.9%</i>	<i>4.8%</i>	
Employee expenses	752	677	11.0%	638	17.8%	2,053	1,894	8.3%
<i>As a % of sales</i>	<i>6.7%</i>	<i>7.4%</i>		<i>6.4%</i>		<i>6.6%</i>	<i>7.4%</i>	
Other expenses	385	380	1.4%	373	3.3%	1,179	1,009	16.9%
<i>As a % of sales</i>	<i>3.4%</i>	<i>4.1%</i>		<i>3.7%</i>		<i>3.8%</i>	<i>3.9%</i>	
EBITDA	3,940	3,258	20.9%	3,666	7.5%	11,035	9,516	16.0%
<i>EBITDA margin</i>	<i>35.2%</i>	<i>35.5%</i>		<i>36.8%</i>		<i>35.4%</i>	<i>36.9%</i>	
Depreciation	139	104	34.0%	140	-0.7%	416	425	-2.2%
EBIT	3,801	3,154	20.5%	3,526	7.8%	10,619	9,091	16.8%
<i>EBIT margin</i>	<i>34.0%</i>	<i>34.4%</i>		<i>35.4%</i>		<i>34.1%</i>	<i>35.3%</i>	
Interest cost	48	49	-2.9%	44	7.6%	133	122	8.9%
Other income	456	308	48.2%	471	-3.2%	1,318	812	62.4%
PBT	4,209	3,413	23.3%	3,952	6.5%	11,805	9,781	20.7%
Exceptional items	(145)	14	NM	-	NM	(664)	14	NM
Tax expenses	1,064	871	22.1%	1,005	5.8%	2,872	2,523	13.8%
<i>Tax rate</i>	<i>26.2%</i>	<i>25.4%</i>		<i>25.4%</i>		<i>25.8%</i>	<i>25.8%</i>	
PAT	3,000	2,555	17.4%	2,947	1.8%	8,269	7,271	13.7%
<i>PAT margin</i>	<i>26.8%</i>	<i>27.8%</i>		<i>29.6%</i>		<i>26.5%</i>	<i>28.2%</i>	
EPS (Rs)	3.7	3.2	17.4%	3.7	1.8%	10.3	9.1	13.8%
Adj. PAT	3,145	2,542	23.7%	2,947	6.7%	8,933	7,257	23.1%

Source: Company, PL

Exhibit 2: Segmental Breakup (Rs mn)

Y/e March	3QFY24	3QFY23	YoY gr.	2QFY24	QoQ gr.
Catering					
Revenue	5,078	3,941	28.8%	4,315	17.7%
<i>As a % of sales</i>	<i>45.2%</i>	<i>42.8%</i>		<i>43.2%</i>	
EBIT	784	423	85.4%	743	5.6%
<i>EBIT margin</i>	<i>15.4%</i>	<i>10.7%</i>		<i>17.2%</i>	
Internet ticketing					
Revenue	3,353	3,010	11.4%	3,275	2.4%
<i>As a % of sales</i>	<i>29.9%</i>	<i>32.6%</i>		<i>32.8%</i>	
EBIT	2,784	2,533	9.9%	2,742	1.5%
<i>EBIT margin</i>	<i>83.0%</i>	<i>84.2%</i>		<i>83.7%</i>	
Tourism					
Revenue	1,675	1,223	37.0%	966	73.5%
<i>As a % of sales</i>	<i>14.9%</i>	<i>13.3%</i>		<i>9.7%</i>	
EBIT	174	119	45.9%	(56)	NM
<i>EBIT margin</i>	<i>10.4%</i>	<i>9.7%</i>		<i>-5.8%</i>	
State Teertha					
Revenue	280	255	9.7%	648	-56.9%
<i>As a % of sales</i>	<i>2.5%</i>	<i>2.8%</i>		<i>6.5%</i>	
EBIT	63	40	55.3%	114	-44.9%
<i>EBIT margin</i>	<i>22.4%</i>	<i>15.8%</i>		<i>17.6%</i>	
Rail Neer					
Revenue	838	790	6.0%	780	7.4%
<i>As a % of sales</i>	<i>7.5%</i>	<i>8.6%</i>		<i>7.8%</i>	
EBIT	(33)	88	NM	97	NM
<i>EBIT margin</i>	<i>-3.9%</i>	<i>11.2%</i>		<i>12.4%</i>	
Total revenues	11,223	9,219	21.7%	9,984	12.4%

Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	35,415	42,572	47,201	50,320
YoY gr. (%)	88.5	20.2	10.9	6.6
Cost of Goods Sold	1,950	2,623	3,064	3,234
Gross Profit	33,464	39,948	44,137	47,086
Margin (%)	94.5	93.8	93.5	93.6
Employee Cost	2,455	2,767	3,068	3,271
Other Expenses	1,627	1,618	1,794	1,812
EBITDA	12,762	15,006	16,704	17,827
YoY gr. (%)	46.1	17.6	11.3	6.7
Margin (%)	36.0	35.3	35.4	35.4
Depreciation and Amortization	537	590	698	757
EBIT	12,225	14,416	16,006	17,070
Margin (%)	34.5	33.9	33.9	33.9
Net Interest	161	192	212	226
Other Income	1,204	1,800	1,800	1,800
Profit Before Tax	13,540	15,361	17,593	18,643
Margin (%)	38.2	36.1	37.3	37.0
Total Tax	3,481	3,917	4,486	4,754
Effective tax rate (%)	25.7	25.5	25.5	25.5
Profit after tax	10,059	11,444	13,107	13,889
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	9,787	12,108	13,107	13,889
YoY gr. (%)	47.5	23.7	8.3	6.0
Margin (%)	27.6	28.4	27.8	27.6
Extra Ord. Income / (Exp)	272	(664)	-	-
Reported PAT	10,059	11,444	13,107	13,889
YoY gr. (%)	52.5	13.8	14.5	6.0
Margin (%)	28.4	26.9	27.8	27.6
Other Comprehensive Income	22	5	-	-
Total Comprehensive Income	10,081	11,448	13,107	13,889
Equity Shares O/s (m)	800	800	800	800
EPS (Rs)	12.2	15.1	16.4	17.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	5,821	7,001	8,101	8,701
Tangibles	5,688	6,868	7,968	8,568
Intangibles	133	133	133	133
Acc: Dep / Amortization	2,578	3,168	3,866	4,623
Tangibles	2,472	3,062	3,760	4,517
Intangibles	106	106	106	106
Net fixed assets	3,243	3,833	4,235	4,079
Tangibles	3,216	3,806	4,208	4,051
Intangibles	27	27	27	27
Capital Work In Progress	338	338	338	338
Goodwill	-	-	-	-
Non-Current Investments	267	267	267	267
Net Deferred tax assets	1,305	1,362	1,407	1,491
Other Non-Current Assets	2,207	1,277	1,416	1,510
Current Assets				
Investments	-	-	-	-
Inventories	96	233	259	276
Trade receivables	11,429	13,413	14,484	15,441
Cash & Bank Balance	19,337	23,610	29,801	37,617
Other Current Assets	10,576	11,018	12,504	13,232
Total Assets	50,888	57,396	67,071	76,766
Equity				
Equity Share Capital	1,600	1,600	1,600	1,600
Other Equity	23,184	30,055	37,919	46,253
Total Networth	24,784	31,655	39,519	47,853
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	1,054	851	708	755
Other non current liabilities	167	128	142	151
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	8,522	9,914	10,992	11,718
Other current liabilities	15,392	13,742	14,502	14,940
Total Equity & Liabilities	50,888	57,396	67,071	76,766

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	13,540	16,025	17,593	18,643
Add. Depreciation	537	590	698	757
Add. Interest	-	-	-	-
Less Financial Other Income	1,204	1,800	1,800	1,800
Add. Other	(776)	(660)	-	-
Op. profit before WC changes	13,301	15,955	18,291	19,400
Net Changes-WC	(910)	(2,008)	(1,272)	(674)
Direct tax	(4,290)	(3,917)	(4,486)	(4,754)
Net cash from Op. activities	8,101	10,030	12,533	13,972
Capital expenditures	(674)	(1,180)	(1,100)	(600)
Interest / Dividend Income	625	-	-	-
Others	(3,102)	-	-	-
Net Cash from Inv. activities	(3,151)	(1,180)	(1,100)	(600)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(4,000)	(4,577)	(5,243)	(5,556)
Interest paid	-	-	-	-
Others	(343)	-	-	-
Net cash from Fin. activities	(4,343)	(4,577)	(5,243)	(5,556)
Net change in cash	606	4,273	6,191	7,817
Free Cash Flow	7,426	8,850	11,433	13,372

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	12.2	15.1	16.4	17.4
CEPS	12.9	15.9	17.3	18.3
BVPS	31.0	39.6	49.4	59.8
FCF	9.3	11.1	14.3	16.7
DPS	5.5	5.7	6.6	6.9
Return Ratio(%)				
RoCE	56.0	51.1	45.0	39.1
ROIC	367.1	233.0	206.1	209.6
RoE	44.9	42.9	36.8	31.8
Balance Sheet				
Net Debt : Equity (x)	(0.8)	(0.7)	(0.8)	(0.8)
Net Working Capital (Days)	31	32	29	29
Valuation(x)				
PER	76.0	61.4	56.7	53.5
P/B	30.0	23.5	18.8	15.5
P/CEPS	72.0	58.5	53.8	50.8
EV/EBITDA	56.7	48.0	42.7	39.6
EV/Sales	20.4	16.9	15.1	14.0
Dividend Yield (%)	0.6	0.6	0.7	0.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	9,650	10,018	9,953	11,183
YoY gr. (%)	39.7	17.5	23.5	21.8
Raw Material Expenses	482	694	553	691
Gross Profit	9,168	9,324	9,400	10,492
Margin (%)	95.0	93.1	94.4	93.8
EBITDA	3,246	3,430	3,666	3,940
YoY gr. (%)	16.5	6.9	20.2	20.9
Margin (%)	33.6	34.2	36.8	35.2
Depreciation / Depletion	112	137	140	139
EBIT	3,134	3,293	3,526	3,801
Margin (%)	32.5	32.9	35.4	34.0
Net Interest	39	41	44	48
Other Income	393	392	471	456
Profit before Tax	3,488	3,644	3,952	4,209
Margin (%)	36.1	36.4	39.7	37.6
Total Tax	958	803	1,005	1,064
Effective tax rate (%)	27.5	22.0	25.4	25.3
Profit after Tax	2,530	2,841	2,947	3,145
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,530	2,841	2,947	3,145
YoY gr. (%)	16.1	15.7	30.4	23.7
Margin (%)	26.2	28.4	29.6	28.1
Extra Ord. Income / (Exp)	258	(519)	-	(145)
Reported PAT	2,788	2,322	2,947	3,000
YoY gr. (%)	30.4	(5.4)	30.4	17.4
Margin (%)	28.9	23.2	29.6	26.8
Other Comprehensive Income	(4)	(12)	18	(1)
Total Comprehensive Income	2,784	2,310	2,965	2,999
Avg. Shares O/s (m)	800	800	800	800
EPS (Rs)	3.2	3.6	3.7	3.9

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jan-24	Hold	749	902
2	08-Nov-23	Hold	709	677
3	09-Oct-23	Hold	700	720
4	11-Aug-23	Hold	700	646
5	07-Jul-23	Hold	679	632
6	31-May-23	Hold	679	644
7	11-Apr-23	Hold	672	582

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	Accumulate	820	762
2	Indian Railway Catering and Tourism Corporation	Hold	749	902
3	Inox Leisure	BUY	587	502
4	InterGlobe Aviation	Accumulate	3,312	3,127
5	Lemon Tree Hotels	BUY	155	138
6	Navneet Education	BUY	182	153
7	Nazara Technologies	Hold	833	871
8	PVR Inox	Accumulate	1,719	1,455
9	S Chand and Company	BUY	357	262
10	Safari Industries (India)	BUY	2,271	2,045
11	V.I.P. Industries	Hold	589	539
12	Zee Entertainment Enterprises	Reduce	167	189

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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