

## Rationale:

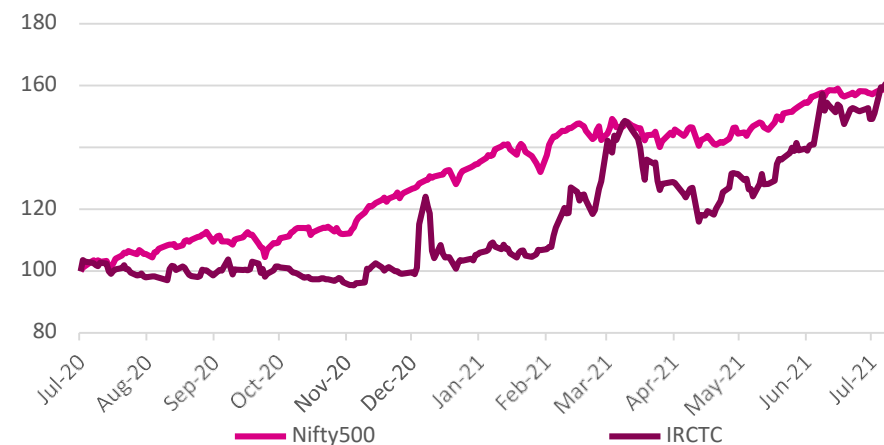
- ❑ Indian Railway Catering and Tourism Corporation Ltd. (IRCTC) is a wholly-owned subsidiary of Indian Railways, Government of India. It is a Mini Ratna (Category-I Central Public Sector Enterprise), incorporated in 1999 as an extended arm of the Indian Railways with the objective to upgrade, modernize, professionalize and manage the catering and hospitality services at stations, on trains and other locations, online ticket booking services, packaged drinking water and to promote domestic and international tourism through development of budget hotels, special tour packages, information & commercial publicity and global reservation systems.
- ❑ Presently, it operates majorly in four business segments: (1) Internet Ticketing; (2) Catering & Hospitality; (3) Packaged Drinking Water; (4) Travel & Tourism. Apart from having a dominant market share in Indian Railways, they have diversified their offerings by foraying into non-railway segments including air ticket booking, e-catering, tour packages, executive lounges and budget hotel booking.
- ❑ Recently, in e-catering the company have done a few new tie-ups as they opened booking of e-catering food through B2C partners also Ixigo, MNC and MobiKwik and three-four others lead partners. Further, Packaged Drinking Water (i.e. Rail Neer) has a monopoly to manufacture and distribute packaged drinking water at all railway stations and in trains across India which caters ~45% of the current demand and to increase the market share & to meet the growing demand they have Una plant which has also been made operational. Further, 4 new Rail Neer plants have been approved and are expected to be commissioned by 2021-22.
- ❑ IRCTC has a robust balance sheet as the operating cash stood at Rs. 15,300 million as on 31st March 2021 and the fact that it is a debt-free company validates our financial discipline. The strong balance sheet also enables them to meet the short-term obligations, execute their strategies & growth plans and navigate through uncertainties and cyclic slowdowns. Additionally, it has an attractive valuation as over the years Company is aspired to maintain healthy ratios through a prudent risk management and capital allocation strategy as RoE stood at 28% over the past 5-years.
- ❑ Going forward, management expects to reach the pre COVID level very soon after the 140 resumption of Tejas Express, increase in convenience revenue to ~25%, capacity expansion of Rail Neer and the impact of price hike announced in catering will play out by then.
- ❑ Company is enjoying virtual monopoly with its business model offering major tourism related services on all aspects under one roof. Considering, the company's strong earnings profile, diversified business segment, healthy return ratio, debt free status and most importantly high entry barrier to the business with reasonable valuation, we recommend a **BUY** rating on the stock with a target price of **Rs. 2,850 per share**.

52 Week Low / High	1290/ 2271
Avg. Daily Volume (3M) ('000)	90,117
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	160 / 351,021
Shareholding (Promoters/Institutional/Others)	67.4% / 18.5% / 14.1%

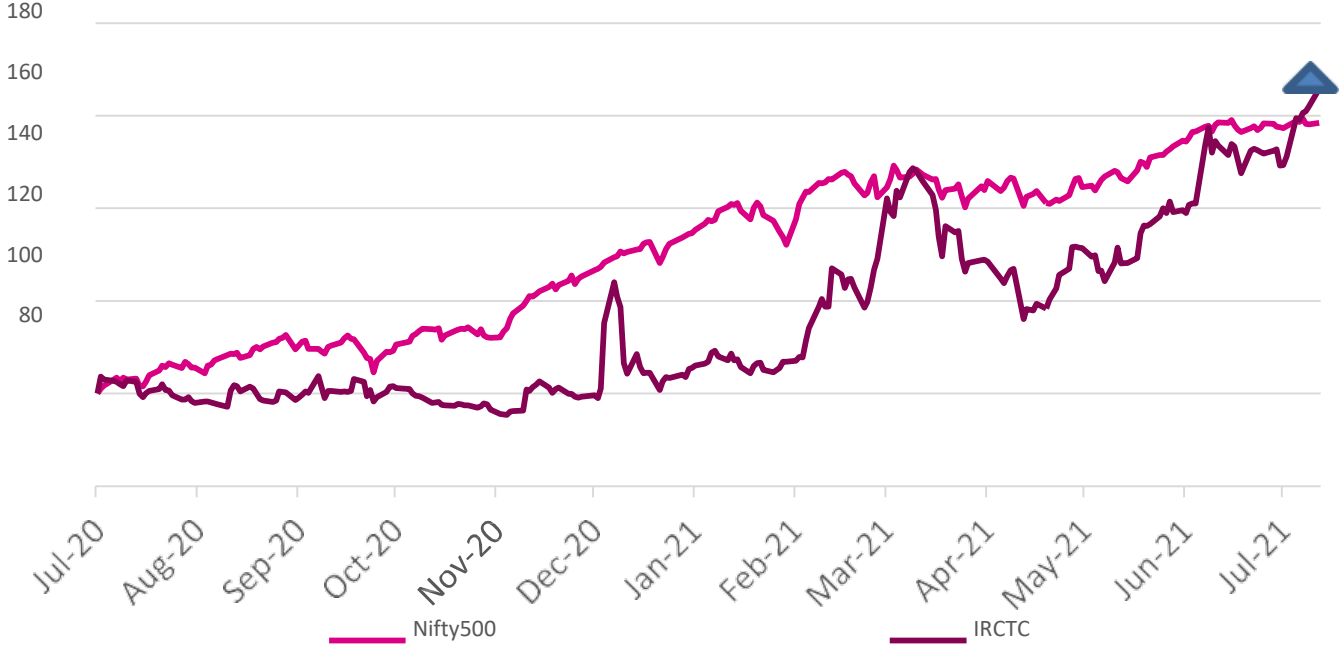
(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Revenue	22,751	7,831	18,615	32,477
PAT	5,290	1,505	5,482	9,596
EPS (₹)	33.1	9.4	34.3	60.1
P/E	68.4	240.6	65.9	37.6
P/B	24.8	22.2	18.9	14.1
ROE	43.4%	10.9%	32.3%	43.5%

Source: Company, Estimates. Note: Prices are as on 12-Jul-21

## Price Performance (July'20=100)



IRCTC rating history & price chart



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Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
Mid/Small Caps (<₹300 Bn.)	20%	10%-15%	Below 10%

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