

Scrip Name	Offer Size
IRCTC Ltd	Offer for sale : 645cr (approx)

Issue Highlights

Issue Opens	Monday, 30 th Sept 2019
Issue Closes	Thursday, 3 rd October 2019
Price Band	Rs. 315 – Rs. 320 (Retail & employee discount of Rs. 10 per share)
Bid Lot	40 Shares
Face Value	Rs. 10
BRLM	IDBI Capital SBI Capital Markets Yes Securities

Offer Break-up

Category	Allocation	Rs. In Crs.
QIB	50%	322.5
Non-Institutional	15%	96.75
Retail	35%	225.75
Total	100%	645

Promoters of the Company

Government Of India

Company Overview

IRCTC was incorporated on September 27, 1999 as a CPSE under the administrative control of the Ministry of Railways, to upgrade and professionalize catering and tourism services. In Fiscal 2003, catering service of Indian Railways was handed over to IRCTC on "as is where is" basis along with its staff, until 2010, where the Ministry of Railways mandated majority of these catering services to be handed back to Indian Railways. With the Catering Policy 2017, the responsibility for the entire catering services on all mobile units having pantry car service from Indian Railways, as well as part of static catering services of Indian Railways have been handed over to IRCTC, and are planning to roll out at least 10 new pantry cars in Fiscal 2020 once the design is approved by Indian Railways.

IRCTC operates one of the most transacted websites, www.irctc.co.in, in the Asia-Pacific region with transaction volume averaging 15 to 18 million transactions per month during the three months ended June 30, 2019. They have also diversified into other businesses, including non-railway catering and services such as e-catering, executive lounges and budget hotels, which are in line with the objective to build a "one stop solution" for its customers.

Currently, the company operates in four business segments, namely, internet ticketing, catering, packaged drinking water under the "Rail Neer" brand, and travel and tourism.

IRCTC is the only entity authorized by Indian Railways to offer railway tickets online through its website www.irctc.co.in and mobile application, "Rail Connect". During June 2019, an average of more than 1.40 million passengers reserved online tickets and travelled on Indian Railways every day. Approximately 71.40% of Indian Railways' tickets are booked online with an average of more than 0.80 million tickets booked through www.irctc.co.in and "Rail Connect" on a daily basis.

Source – Company DRHP

The Department of Economic Affairs, Ministry of Finance, Government of India on July 19, 2019 withdrew the reimbursement of expenses and advised Ministry of Railways to work with the company to decide on the charges to be levied by IRCTC on the tickets booked by the railway passengers through its website or applications. Subsequently, Ministry of Railways on August 5, 2019 has authorized to IRCTC to decide on the service charges to be levied on the passengers for the booking railway tickets online. Accordingly, with effect from September 1, 2019, IRCTC proposes to charge convenience fee of Rs.15.00 and Rs.30.00 on the passengers for the booking railway tickets online for non AC classes and AC classes, respectively. For payment made through UPI/BHIM applications, the convenience fee will be Rs.10.00 and Rs.20.00 on the passengers for the booking railway tickets online for non AC classes and AC classes, respectively. Till the software for UPI/BHIM is developed, payment through UPI/BHIM will be incentivized by offering prizes through lottery on regular basis.

Levying of convenience fees should provide additional revenues of ~300 crores for the year FY20. This by and large should pass to the bottom line in FY20. This alone should ideally double the FY20 PAT.

Revenue Breakup

(In Rs. Cr)

Particulars	FY2017		FY2018		FY2019	
	Amount	%	Amount	%	Amount	%
Internet Ticketing	496.3	31.9%	207.1	13.6%	234.5	12.3%
Catering	398.6	25.6%	740.2	48.7%	1044.5	55.0%
Packaged Drinking Water (Rail Neer)	159	10.2%	169.2	11.1%	176.2	9.3%
Travel and Tourism	528.8	34.0%	403.3	26.5%	440.2	23.2%
Total	1555.8		1519.9		1899.4	

Further growth avenues through diversification

IRCTC iMudra wallet and i-Pay: The Company launched its i-Pay payment gateway on a pilot basis in October 2018. i-Pay is designed to handle domestic debit and credit cards transactions. They are currently evaluating its operational utility and technical capabilities. If successful, they intent to position i-Pay for use in various additional market segments in the future.

IRCTC as Private train operator: In July 2019, the Ministry of Railways, Government of India, Railway Board mandated two trains under the haulage concept, with ticketing and on board services. IRCTC will have full freedom to determine the trains' fares. The company plans to provide premium service with premium pricing for these trains.

Hotels business: IRCTC is planning to build budget hotels and is already building 1 in Lucknow and has bought land in Khajurao. If successful, this could be another revenue stream going ahead.

Monetizing through ads: The Company is already monetizing through providing ad space on its bottles and on its website & would aim to improve yields going forward. They shall also monetize ad space on the trains once operational.

KEYNOTE

Valuations

Post issue market capitalization of the company will be around Rs. 5120 crores. The company will be valued at 19x FY19 earnings. Since the company is completely debt free and has an impressive return on net worth of 26% in FY19, there is potential for substantial upside. One should subscribe for listing gains and for long term gains.

Profit & Loss for the period

Particulars	31st March 2017	31st March 2018	31st March 2019
Revenue from Operations	1535.4	1470.5	1867.9
Expenses	1222.8	1197.4	1495.7
Operating Profit	312.6	273.1	372.2
<i>Operating Profit margin</i>	<i>20.4%</i>	<i>18.6%</i>	<i>19.9%</i>
Other income	67.5	99.1	88.8
Interest expense	2.5	2.9	2.3
Depreciation expense	22.4	23.7	28.6
Profit before tax	355.1	345.6	430.0
Tax expense	126.1	125.0	157.4
Profit After tax	229.1	220.6	272.6
<i>PAT Margin</i>	<i>14.9%</i>	<i>15.0%</i>	<i>14.6%</i>

Balance Sheet as on

I. ASSETS			
1 Non-current assets	31st March 2017	31st March 2018	31st March 2019
Property, Plant and Equipment	174.61	163.30	187.43
Investment Property		27.61	27.65
Financial assets	2.61	3.02	2.47
Other non-current assets	69.91	58.37	99.94
Inventories	6.58	7.4	7.89
Trade receivables	289.4	550.9	581.7
Cash & Bank balance	852.95	833.8	1139.9
Other current assets	430.48	674.70	536.80
Total Assets	1826.54	2319.1	2583.78
II. Equities & Liabilities			
Equity share capital	40	40	160
Other equity	746.55	914.52	882.84
Total Equity	786.55	954.52	1042.8
Non-current liabilities	92.18	89.63	66.69
Trade payables	137.57	150.82	191.95
Other current liabilities	23.69	169.61	239.5
Total Liabilities	1826.54	2319.1	2583.78

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