



## Indian Railway Catering and Tourism Corporation (IRCTC) Limited IPO Note

### About the Company:

State-owned Indian Railway Catering and Tourism Corporation Limited (**IRCTC**) Incorporated in the year 1999 is a wholly-owned subsidiary of Indian Railways. The company was conferred a Mini-Ratna or Category-I Public Sector Enterprise by the Indian Government in 2008. Company was incorporated with the objective to upgrade, modernize and professionalize catering and hospitality services, managing hospitality services at railway stations, on trains and other locations, to promote international and domestic tourism through public-private participation. In the three months ended on 30th June, nearly 15 to 18 million transactions were placed per month through the IRCTC website.

### Company Promoters:

The Promoter of the company is the President of India, acting through the Ministry of Railways, Government of India.

### IRCTC IPO Snapshot:

<b>Open Date:</b>	<b>30<sup>th</sup> September 2019</b>
<b>Close Date:</b>	<b>03<sup>rd</sup> October 2019</b>
<b>Total Shares:</b>	<b>20,160,000 shares</b>
<b>Face Value:</b>	<b>₹ 10 Per Equity Share</b>
<b>Issue Size:</b>	<b>Rs. 645 cr</b>
<b>Lot Size:</b>	<b>40 Shares</b>
<b>Issue Price:</b>	<b>Rs.315 – 320 Per Equity Share</b>
<b>Retail Discount:</b>	<b>Rs.10 per Share</b>
<b>Listing At:</b>	<b>NSE,BSE</b>
<b>Listing Date:</b>	<b>Oct 11 2019 (Tentative)</b>

### Business segments of IRCTC:

- \* **Travel and Tourism** - IRCTC is specialised in rail tourism. It offers travel and tourism services across diversified segments such as air, land, rail, & cruise tour packages, hotel bookings and air ticket bookings.
- \* **Packaged Drinking Water** - It is an authorized manufacturer and distributor of packaged drinking water on trains and at railway stations. Company manufactures packaged drinking water under brand name 'Rail Neer'.
- \* **Catering Services** - Company provides food catering services including on-board catering on trains and static catering services at stations.
- \* **Internet Ticketing** - IRCTC has a mobile app and a dedicated website to offer online railway ticket booking facility.

### Key strengths of IRCTC:

- \* Authorised by the Ministry of Railways to offer online train tickets of Indian Railways.
- \* Authorised catering service provider to passengers traveling by Indian Railways.
- \* Comprehensive tourism and hospitality service provider for rail passengers in India.
- \* Exclusively authorized for manufacturing and supplying packaged drinking water at railway station and trains.
- \* Robust operating system and internal control.
- \* Qualified and experienced employees and management team.

### Risk factors to be considered by investors:

- \* Company now is the sole provider of online railway ticketing, catering services, packaged drinking water in trains and stations and certain other services that it provides. In future, if the Government were to allow open competition in all or any of these space, it may significantly impact company's financial performance.
- \* Company has no ability to pass on any increase in raw material costs due to price regulation by Government and Indian Railways. Company do not hedge its risk against market fluctuations in commodities market.
- \* Company uses plastic for its various activities especially in its drinking water segment and the material is subject to increasing public scrutiny. Any adverse action on banning such PET bottles can lead to cost escalation and impact financial health of the company.
- \* As of March 31, 2019, contingent liabilities appearing in company's financial statements aggregated to ₹166.79 cr. If these contingent liabilities materialize, company's financial health and results of operations can get adversely affected.

\* Company's Registered Office, Regional Offices and Zonal Offices and some of the Rail Neer plants are situated on land that company do not own. In any given circumstances which leads to company unable to continue operating from such premises, business, financial condition and results of operations may have adverse effect.

#### Reasons to invest in IRCTC IPO:

- \* Leading PSU consultancy 'Mini Ratna' or Category-I Public Sector Enterprise company working under Ministry of Railways.
- \* A regular dividend paying company till date.
- \* The company has shown consistent margin growth.
- \* The reduction in corporate tax to 25.17% will help the company significantly as the company presently is at 34.99% tax bracket.
- \* IRCTC has started charging a convenience fee from Sept 2019 of Rs. 15 for Non-AC and 30 for AC class tickets booked through its platform which will help improve the bottom line in the years to follow.
- \* IRCTC has a monopoly business. It is the only authorized service provider in the area of catering, ticket booking and packaged drinking water provider to the passengers travelling by Indian railways.
- \* Approximately 71.40% of Indian Railway's tickets are booked online with an average of more than 0.80 million tickets booked through [www.irctc.co.in](http://www.irctc.co.in) and "Rail Connect" app on a daily basis.
- \* As part of privatization plan of passenger train operations by railway ministry, IRCTC has received mandate to operate two routes with full autonomy i.e., Lucknow-Delhi and Mumbai – Ahmedabad.

#### IRCTC Financials:

Particulars (Rs in Cr)	31-Mar-17	31-Mar-18	31-Mar-19
Total Revenue	1602.85	1569.56	1956.66
Profit After Tax	229.08	220.61	272.59
Total Assets	1826.45	2319.10	2583.78

#### Investment rationale:

IRCTC being a monopoly agency (in its segment) under Ministry of Railways have shown decent margin improvement over the years. People's choice for economical, quicker ticketing and travel needs are fulfilled by Indian railways. Growing demand for rail commuting indirectly benefits IRCTC. Investors are advised to subscribe for IRCTC's initial public offering.

#### Information sources:

Information gathered in this document are from company's Draft Red Herring Prospectus (DRHP) filed by the company with SEBI and from other freely accessible web sources.

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