



IPO note: Indian Railway Catering and Tourism Corporation Ltd. (IRCTC) - "SUBSCRIBE"

Incorporated on September 27, 1999, **Indian Railway Catering and Tourism Corporation Limited ("IRCTC")** conferred with 'the Mini Ratna-I' status, is a Central Public Sector Enterprise wholly owned by the Government of India ("GoI") under the administrative control of the Ministry of Railways ("MoR").

IRCTC is the only entity authorized by Indian Railways to offer railway tickets online through its website and its mobile application. As of June 30, 2019, more than 1.40 million passengers travelled on Indian Railways on a daily basis, which consisted of approximately 71.42% of Indian Railways' tickets booked online. As a result, there are more than 0.80 million tickets booked through www.irctc.co.in and "Rail Connect" on a daily basis. 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.** Transaction volume of more than 25 million per month and 7.2 million logins per day.

Catering: Only IRCTC is authorised by Ministry of Railways to provide food catering services to Indian Railway passengers on trains and at stations. On-board catering services are referred to as mobile catering and catering services at stations are referred to as static catering. Pursuant to the catering policy issued by Ministry of Railways dated February 27, 2017, ("**Catering Policy 2017**"), IRCTC provides catering services for approximately 350 pre-paid and post-paid trains and 530 static units. IRCTC provides catering services through mobile catering units, base kitchens, cell kitchens, refreshment rooms, food plazas, food courts, train side vending, and Jan Ahaars over the Indian Railways network. All other catering units, such as refreshments rooms at stations categorized at B or below, AVMs, milk stalls, and trolleys are managed by zonal railways. IRCTC also offer e-catering services to passengers through its mobile application "Food on Track" and its e catering website, www.ecatering.irctc.co.in.

Packaged Drinking Water (Rail Neer): IRCTC is the only entity authorized by the Ministry of Railways to manufacture and distribute packaged drinking water at all railway stations and on trains. IRCTC manufactures and distribute packaged drinking water under brand "Rail Neer". Currently, it operates ten Rail Neer plants located at Nangloi, Danapur, Palur, Ambarnath, Amethi, Parassala, Bilaspur, Hapur, Ahmedabad and Bhopal, with an installed production capacity of approximately 1.09 million litres per day, which caters to approximately 45% of the current demand of packaged drinking water at railway premises and in trains. To increase its presence in the packaged drinking water market at railway stations, and to meet the growing demand, it is setting up new Rail Neer plants at Sankrail, Jagi Road, Nagpur, Bhusawal, Jabalpur, and Una and further plants at Vijaywada Ranchi, Vishakhapatnam, and Bhubneshwar. IRCTC has also installed water vending machines ("WVMs") at railway stations to provide purified, chilled and portable drinking water to railway passengers at an affordable price.

Travel and Tourism: IRCTC has been mandated by the Indian Railways to provide tourism and travel related services. **The various tourism services offered by them include Luxury Train Tours Maharajas' Express, Buddhist Circuit Special Train, Bharat Darshan Special Tourist Trains, theme based tourist trains, Rail Tour Packages, international and domestic air packages, land tour packages, hotel booking, car rental, LTC tours and event management.** They are a one stop shop for all travel and tourism related services, and operate their own tourism portal, www.irctctourism.com through which they offers these products and services.

IRCTC launched **i-Pay payment gateway** to manage domestic debit/credit transactions in October 2018. The company is working on technical capabilities and operational utility of the gateway to use it in additional market segments. The Company also operates executive lounges, budget hotels, and retiring rooms for the convenience of the travelling passengers on Indian Railways.

IPO note date	September 27, 2019
Issue date	September 30 - Oct. 03, 2019
Listing date	
Issue type	Offer for sale up to 20,160,000 Equity Shares
Issue size	Rs. 638 crores
Issue structure	QIB – 50% NIB – 15% Retail – 35%
Employee reservation	1,60,000 equity shares
Price Band	Rs. 315 – Rs. 320
Retail & Employee discount	Rs. 10 per share
Face value	Rs. 10
Post Issue equity shares	16 crores equity shares
Post issue Market Cap	Rs. 5,120 crores
Pre/Post issue Promoter holding	100%/87.40%
Issue size	Rs. 638 crores
Bid lot	40 Equity shares and in multiples thereof
Book Running Lead Managers	IDBI Capital, SBI Capital Markets, Yes Securities
Registrar to the issue	Alankit Assignments Ltd.

Y/e 31 Mar (Rs. crs)	FY19	FY18	FY17
Total Revenues	1,868	1471	1,535
EBITDA	399	319	330
EBITDA (%)	21.36	21.7	21.5
PAT	273	221	229
PAT (%)	14.6	15.0	14.9
Equity Share Capital	160#	40	40
EPS (Rs.)	17.04	13.79	14.32
P/E (x) at upper end of price band	19	23	22
P/BV (x)	4.90	5.36	650
RoE (%)	26.14	23.11	29.12

Source: RHP, # denotes increase in equity share capital due to the bonus issue..

Investment recommendation and rationale

At upper end of the price band of Rs. 320, the issue is valued at a P/E of 19x which we believe is fair as the company enjoys monopoly with zero competition, has decent track record of operating performance with ROE of 26 percent. With due consideration to factors like: a) authorized by the Ministry of Railways to offer tickets of Indian Railways online, b) authorised catering service provider to passengers traveling by Indian Railways, c) comprehensive tourism and hospitality service provider in India, d) exclusively authorized for manufacturing and supplying packaged drinking water at railway station and trains, e) robust operating system and internal control, f) experienced management team, g) debt free Company, h) enjoying monopoly as there is zero competition, we recommend "SUBSCRIBE" to the issue.

Objects of the issue

The objects of the Offer are: 1) to carry out the disinvestment of 20,160,000 Equity Shares by the Selling Shareholder constituting 12.60 percent of IRCTC's paid up Equity Share Capital and 2) to achieve the benefits of listing the Equity Shares on the stock exchanges. As it is an offer for sale issue, IRCTC will not receive any proceeds from the offer and all proceeds will go to the selling shareholder.

Promoters and Management background

The company was incorporated as "*Indian Railway Catering and Tourism Corporation Limited*" on September 27, 1999. Company's Promoter is the President of India, acting through the Ministry of Railways ("MoR"), Government of India ("GoI"). The company was conferred with the 'Mini-Ratna-I' status in 2008.

Mahendra Pratap Mall is the Chairman and Managing Director of the company since September 18, 2017. He is experienced in accounting and finance sector. He was awarded "DF of the year" award by Bharat Nirman NGO in July, 2015 and "most influential CFOs of India" by Chartered Institute of Management Accounts on July, 2015.

Rajni Hasija is the Whole-time Director (Tourism & Marketing) of the company since May 18, 2018. She was an officer of Indian Railway Traffic Service and has 30 years of experience in commercial and operation of railways.

Narendra is the Director (Finance) of the company since August 19, 2019. He is an officer of Indian Railway Accounts Service and presently holding Director (Finance) of the company in addition to his present position of executive director – finance (Public Private Partnership), Railway Board. He is experienced in the field of accounts and finance.

Neeraj Sharma is the Part-time Government Director of the company since July 12, 2018. He is an Indian Railway Traffic Service Officer and has more than 25 years of experience in the railway sector.

Smita Rawat is the Part-time Government Director of the company since December 8, 2016. She is an Indian Railway Traffic Service Officer. She has more than 30 years of experience in the railway sector. She is presently posted as executive director (NFR&T), Railway Board.

Kanak Aggarwal, Sarita Deshpande, Rabi Narayan Bohidar, Dheeraj Sharma, Comal Ramachandran Sundaramurti and Sachin Chaturvedi are the Part-time (Non-official) Directors of the company.

Ajai Srivastava is the Group General Manager (Finance) and Chief Financial Officer of the company. He is experienced in the field of accounts and finance. He has been associated with the company since February 17, 2016.

Suman Kalra is the Company Secretary and Compliance Officer of the company. She has been associated with the company since November 23, 2013.



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