

Issue Detail

Type	100% Book Built Issue
Issue Size (Cr)	Rs. 645
Offer Price	Rs.315 – 320
Retail & Employee Discount	Rs.10 per Share
Min App Size	40 Shares
Issue Open	MONDAY, SEPTEMBER 30, 2019
Issue Close	THURSDAY, OCTOBER 3, 2019
Shares Offer	2,01,60,000
Face Value	Rs.10

Lead Mgrs IDBI Capital Markets & Securities Limited
SBI Capital Markets Limited
YES Securities (India) Limited

Listing BSE & NSE
Registrar Alankit Assignments Limited

Market Cap (Post Issue)(Cr) Rs. 5120

Market cap., Issue size, shares offer are as per Upper price band

No. of shares (Post & Pre Issue)

No. of Shares (Pre Issue)	160,000,000
Offer for Sale	20,160,000
Fresh Issue made*	-
No. of Shares (Post Issue)	16,00,00,000

* No. of shares as per Upper price band

Bid allocation pattern

QIB	49.6%	10,000,000
Non-Institutional	14.9%	3,000,000
Retail	34.7%	7,000,000
Employee	0.8%	160,000

Management Team:

- Mr. Mahendra Pratap Mall
Designation: Chairman and Managing Director.
- Ms. Rajni Hasija
Designation: Whole-time Director (Tourism & Marketing)

Company Overview

- IRCTC is a Central Public Sector Enterprise wholly owned by the Government of India and under the administrative control of the Ministry of Railways.
- Company is authorized by Indian Railways to provide catering services to railways, online railway tickets and packaged drinking water at railway stations and trains in India.
- Company is conferred with the status of Mini – ratna (Category-I Public Sector Enterprise) by the Government of India.
- Currently company operate in four business segments, namely, internet ticketing, catering, packaged drinking water under the “Rail Neer” brand, and travel and tourism.
- Company has 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 objective to build a “one stop solution” for their customers.
- As of June 30, 2019, Company had 1,388 full time employees across business verticals including more than 350 graduates from the Institute of hotel managements and Food Craft Institutes with expertise in hospitality industry.

Competitive Strengths

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

Strategies

- Diversifying and offering new services to the passengers of Indian Railways and others.
- Continue to leverage the Government's policy relating to our business.
- Strengthen products and services offering online.
- Strengthen operational efficiencies.

Objectives of the Issue

- To carry out the disinvestment of Equity Shares.
- To achieve the benefits of listing the Equity Shares on the Stock Exchanges

View & Valuation

IRCTC is Mini Ratna (Category-I, CPSE) wholly owned by GoI under administrative control of the Ministry of Railways. Currently, they operate in 4 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 provide catering services to railways, online railway tickets and packaged drinking water at railway stations and in trains in India. The company enjoys strong operating margins of 23.6% and RoNW of 26.1%. The stock is available at 18.8x FY19 Earnings. Monopoly in some segments, growth in revenue and profits with stable margins and attractive valuations, we assign subscribe rating to the issue.

COMPANY OVERVIEW

IRCTC is a Central Public Sector Enterprise wholly owned by the Government of India and under the administrative control of the Ministry of Railways, they are the only entity authorized by Indian Railways to provide catering services to railways, online railway tickets and packaged drinking water at railway stations and trains in India. IRCTC were incorporated with the objective to upgrade, modernize and professionalize catering and hospitality services, managing hospitality services at railway stations, on trains and other locations and to promote international and domestic tourism in India through public-private participation. Company is conferred with the status of Mini – ratna (Category-I Public Sector Enterprise) by the Government of India, on May 1, 2008.

Company operate one of the most transacted websites, www.irctc.co.in, in the Asia-Pacific region with transaction volume averaging 25 to 28 million transactions per month during the five months ended August 31, 2019. Company 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 our objective to build a “one stop solution” for their customers.

Currently, Company operate in four business segments, namely, internet ticketing, catering, packaged drinking water under the “Rail Neer” brand, and travel and tourism:

Internet Ticketing: They are the only entity authorized by Indian Railways to offer railway tickets online through their website and their mobile application. As of August 31, 2019, more than 1.40 million passengers travelled on Indian Railways on a daily basis, which consisted of approximately 72.60% of Indian Railways' tickets booked online. As a result, there are more than 0.84 million tickets booked through www.irctc.co.in and “Rail Connect” on a daily basis. Company currently operate one of the most transacted websites in the Asia-Pacific region with a transaction volume of more than 25 million per month and 7.2 million logins per day. The booking of railway tickets through the internet is now available 24 hours per day, 365 day per year, with the only exception being daily maintenance closure from 23:45 hours to 00:20 hours. The main objective behind the introduction of the internet ticketing was that instead of requiring passengers to be physically present at the Passenger Reservation System (“PRS”), the PRS should be brought to the door steps of passengers.

Catering: Company 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**”), Company provide catering services for approximately 350 pre-paid and post-paid trains and 530 static units. Company provide 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 their mobile application “Food on Track” and their e catering website, www.ecatering.irctc.co.in. Company also operate executive lounges, budget hotels, and retiring rooms for the convenience of the travelling passengers on Indian Railways.

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, according to CRISIL. Company manufacture and distribute packaged drinking water under brand “Rail Neer”. Currently, they operate 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 their presence in the packaged drinking water market at railway stations, and to meet the growing demand, company is commissioning new Rail Neer plants at Sankrail, Jagi Road, Nagpur, Bhusawal, Jabalpur, and Una. Further four new Rail Neer plants have been approved by the Company’s Board of Directors and will be commissioned by 2021. Company have 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: Company have been mandated by Indian Railways to provide tourism and travel related services. As of the date of this Red Herring Prospectus, Company have footprints in across all major tourism segments such as hotel bookings, rail, land, cruise and air tour packages and air ticket bookings, and are known as one of India's leading travel and tourism companies catering to the needs of diverse tourist segments. With the strength of being a CPSE under the administrative control of the Ministry of Railways, IRCTC specialize in rail tourism. They have an established track record of delivering strong annual returns to shareholders and their return on equity has exceeded 23% for each fiscal year since Fiscal 2017. IRCTC have been a profitable and debt free company since incorporation. They have received several awards and recognitions including Sattva Awards in the category of “Excellence in Domestic Tour Operations” in 2017, Dun & Bradstreet’s PSU Awards in 2017, India Power Brand 2016 Award, Indian e-Retail Awards 2015, Best Use of Mobile App 2015, Most Trusted Brand in Railways Service Provider India Pride Awards 2014-15, World Travel Awards 2015, Website of the Year India Award 2015. Company's packaged drinking water, Rail Neer, was ranked as a top performer by “Consumer Voice” Magazine in 2017. Company have been honoured in the Fortune India Next 500 list for the year 2016 – 2017.

COMPANY OVERVIEW

Particulars	Fiscal 2017		Fiscal 2018		Fiscal 2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Internet Ticketing	469.31	30.16%	207.13	13.63%	234.59	12.35%
Catering	398.63	25.62%	740.27	48.70%	1,044.51	54.99%
Packaged Drinking Water (Rail Neer)	159.05	10.22%	169.20	11.13%	176.29	9.28%
Travel and Tourism	528.86	33.99%	403.39	26.54%	444.02	23.38%
Total	1,555.84	100.00%	1,519.99	100.00%	1,899.41	100.00%

All central public sector enterprises including IRCTC Company are required to pay a minimal annual dividend of 30% of its PAT or 5% of their net worth, whichever is higher, unless an exemption is provided in accordance with the CPSE Capital Restructuring Guidelines.

Particulars	Fiscal 2019	Fiscal 2018	Fiscal 2017
Face value of Equity Shares (In Rs.)	10	10	10
Number of Equity Shares (in crs)	16	4	4
Rate of dividend (%)	44.89	40.25	36.97
Total dividend paid per Equity Shares (In Rs.)	7.65	22.2	21.17
Dividend paid (In Rs. crs)	122.3	88.8	84.68

Revenue from Operation's

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018	For the year ended 31st March 2017
A. Sale of Products (Inclusive of excise duty)			
Railneer (Packaged Drinking Water)	172.02	162.253	154.561
Catering – Sale of Food & Beverages	29.529	264.44	217.113
Non–Railway Business			
– Income from Catering	5.524	8.67	15.747
– Income from Other Services	0.13	0.023	0.107
Total–Sale of Product	207.21	435.39	387.53
B. Sale of Service			
i) Internet Ticketing			
Income From License Fee–Call Centre	0.212	1.352	2.5
Income from Advertisement/SBI CO-Branded Cards & Loyalty Cards	99.237	102.80	80.854
Income From Fees from IATA/RTSA/Internet Cafe, etc	43.99	12.401	20.786
Service Charges Earned–IR Tickets	0.059	0.055	362.25
Reimbursement Against Service Charges	88	80	-
(a)	231.498	196.612	466.39
ii) Income From Catering Services, Concession Fee, License Fee etc.			
Income from Catering Services provided Income from On Board	516.13	167.83	36.043
Catering & Other Services- Rajdhani/Shatabdi/Premium Trains			
Income from Concession Fee	26.045	3.773	0.687
Income from License Fee	381.68	217.25	82.012
Income from User Charges–Food Plaza	0.515	0.889	1.978
Income from License Fee–Food Plaza	63.896	52.076	36.106
(b)	988.27	441.82	156.83
iii) Tourism			
Travel & Tour revenue	380.18	350.26	479.72
Income from User Charges–Rail Yatri Niwas	1.41	1.318	1.232
Income from License Fee–Rail Yatri Niwas	3.9	1.70	1.94
Maharaja Express–Revenue	53.828	42.062	40.49
(c)	439.32	395.33	523.38
a+b+c	1,659.08	1,033.76	1,146.60
C. Other Operating Income			
Scrap Sale–Rail Neer	0.406	0.283	0.518
Scrap Sale– Catering	0.129	0.016	0.015
Scrap Sale–Non–Railway Catering	0.009	0.004	0.013
License Fee - Railneer	1.052	1.011	0.711
	1.596	1.314	1.257
Revenue from Operation (Gross) (A+B+C)	1,867.88	1,470.46	1,535.39

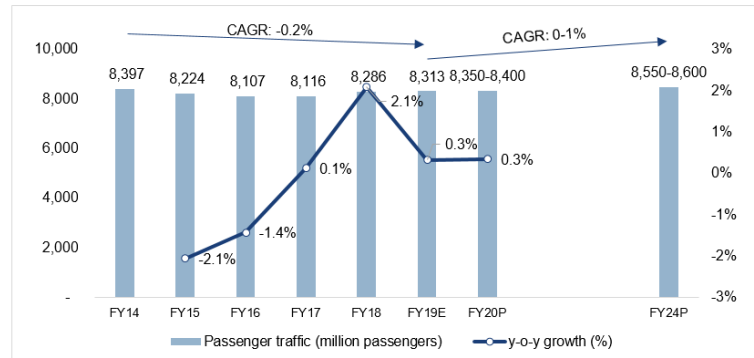
OVERVIEW OF RAILWAYS SECTOR IN INDIA

Trend in Passenger traffic and Freight traffic for Indian railways during the past 5 years (FY14-FY18).

Passenger traffic growth has remained flat over the past four years:

Total railway passenger traffic has remained nearly flat over the past four years, going from 8,397 million passengers in fiscal 2014 to 8,286 million passengers in fiscal 2018. Passenger traffic, after falling by 1-2% between fiscals 2014 and 2016, witnessed a revival in fiscal 2018, largely driven by a turnaround in non-suburban traffic.

Railway passenger traffic (million passengers)



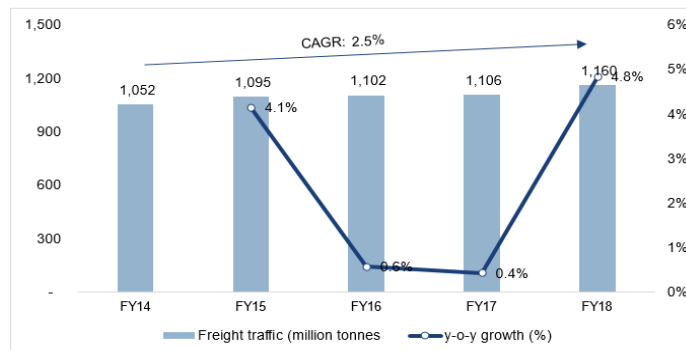
Going forward, the share of suburban passenger traffic in total railway passenger traffic is expected to slightly increase from ~57% in fiscal 2019 to ~58% in fiscal 2024, as passenger traffic on the suburban network is likely to grow at a 0.5-1.5% CAGR during the period, while non-suburban passenger traffic remain flat. Within non-suburban passenger traffic, share of upper class reserved ticket bookings in total railway passenger traffic is expected to grow slightly from ~2% in fiscal 2019 to ~3% in fiscal 2024, with the segment growing at a 5.5-6.5% CAGR during the period on account of growing preference for convenient travel. The share of second class mail/express ticket bookings (reserved) is expected to inch up from ~17% in fiscal 2019 to ~18% in fiscal 2024, with the segment growing at a 1.5-2.5% CAGR.

Freight traffic growth revives in fiscal 2018 after remaining flat for two years:

Total railway freight traffic grew from 1,052 million tonnes in fiscal 2014 to 1,160 million tonnes in fiscal 2018, registered a 2.5% CAGR during the period. Growth in freight traffic was majorly driven by strong freight demand from coal, pig iron and finished steel, iron ore, and container service during the four years. In fiscal 2018, freight traffic rebounded to a 4.8% on-year growth on the back of strong freight demand from coal, cement, container service, and other goods.

Government introduced measures to increase freight traffic, with an objective of increasing the share of Indian Railways (IR) in freight transport across India. Government announced the Eastern and Western Dedicated Freight Corridors (DFC), which aims to cut down on the turnaround time between importing and consuming destinations through construction of a railway network specialised for freight traffic.

Railway freight traffic (million tonnes)



OVERVIEW OF RAILWAYS SECTOR IN INDIA

Investments in Railways sector over the next three years (FY19-FY21)

Robust investments over the next three years to be driven by dedicated freight corridors.

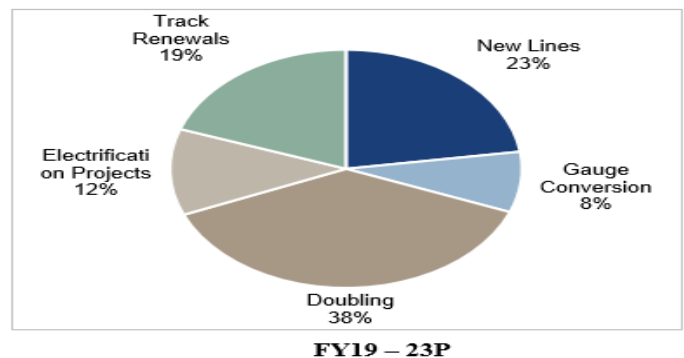
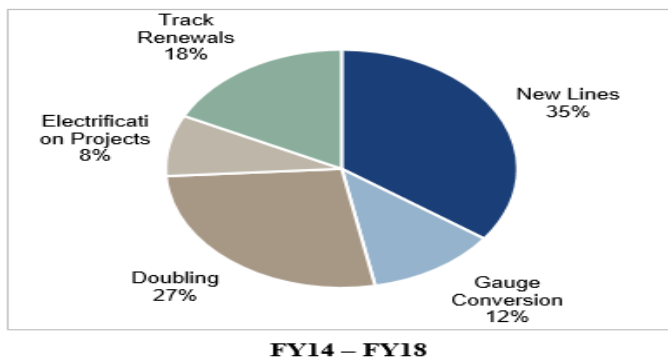
The government announced a planned outlay of Rs 1.59 trillion for the railways in the Interim Union Budget 2020, 14% higher than the preceding year's revised estimate of Rs 1.39 trillion, thus driving investment in the sector. About 41% of the planned outlay is expected to be financed through budgetary support, and the remaining through internal sources and market borrowings/institutional finance.

The growth in investments is driven by:

- Availability of funding from Life Insurance Corporation (LIC) and Multilateral agencies
- Improvement in the pace of approvals
- Provision of additional resources such as Rashtriya Rail Sanraksha Kosh (RRSK)
- Increase in private sector participation (especially in rolling stock, station redevelopment, connectivity projects, etc.)

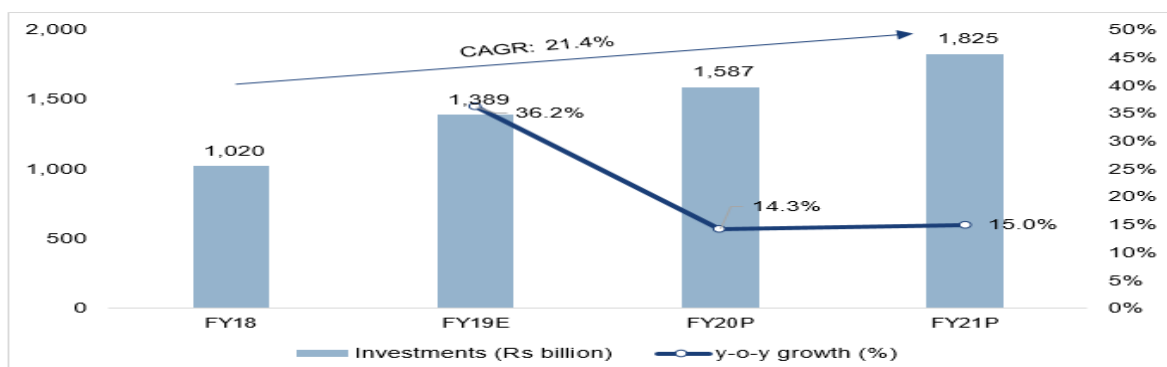
In the short term, investments in railways are expected to continue the strong momentum as government maintains focus on network decongestion, particularly doubling and electrification works. Allocation to decongestion projects is estimated to be way above that made towards expansion projects, as the former is bankable/amenable to external financing (provide a rate of return greater than 12% based on detailed project reports prepared by the railway zones), cheaper, and likely to be completed and monetised quickly.

Split of investments among railway segments



Four-pronged strategy can be adopted: 1) plucking the low-hanging fruit by prioritising and commissioning vast backlog of projects, amounting to ~Rs 3.3 trillion for the major heads (excluding annual rolling stock procurement), 2) standardising and expediting project sanctioning to ensure a robust project pipeline and facilitating time-bound execution, 3) transforming the DNA of the institution via greater empowerment and accountability to enhance efficiency, and 4) focusing on bolstering its own finances – will help reinvigorate Indian Railways.

Overall investments in railways (Rs billion)



Financials Snap Shot

Income Statement				Rs in Crores
Y/E March	FY17	FY18	FY19	
Revenue (Net)	1,535.39	1,470.46	1,867.88	
Other Income	67.47	99.10	88.78	
Total Revenue	1,602.85	1,569.56	1,956.66	
Cost of Materials Consumed	95.94	94.81	93.31	
Excise Duty	15.74	4.37	-	
Purchase of Stock in Trade	114.92	158.01	30.95	
Changes in Inventories of FG, WIP and SIT	0.63	-0.40	-0.15	
Expenses of Catering Services	78.09	246.27	639.10	
Expenses of Tourism	415.58	305.20	309.01	
Manufacturing & direct Expenses	237.76	67.09	61.27	
Employee benefits expense	163.85	192.19	195.06	
Other expenses	100.33	129.83	167.16	
Total Expenses	1,222.83	1,197.36	1,495.71	
EBITDA	380.02	372.20	460.95	
Depreciation	22.41	23.66	28.64	
EBIT	357.60	348.54	432.31	
Finance Costs	2.54	2.91	2.35	
Profit before Tax	355.07	345.63	429.96	
Exceptional item	-	-	-	
Total tax expense	125.99	125.01	157.37	
PROFIT AFTER TAX	229.08	220.62	272.60	
Share in Profit/(Loss) of Joint Ventures	-	-	-	
Profit For the Period/Year After Tax	229.08	220.62	272.60	

Balance Sheet				Rs in Crores
Y/E March	FY17	FY18	FY19	
Share Capital	40.00	40.00	160.00	
Reserves	746.56	914.53	882.84	
Net Worth	786.56	954.53	1,042.84	
Financial liabilities				
Other Financial Liabilities	5.88	24.232	14.722	
Provisions	77.97	58.470	46.161	
Other Non-current Liabilities	8.33	6.94	5.81	
Non-current liabilities	92.19	89.64	66.69	
Financial liabilities				
Trade payables	137.6	150.8	191.96	
Other current liabilities	380.21	599.90	617.16	
Provisions	1.21	3.28	13.75	
Other financial liabilities	423.19	520.95	625.93	
Current tax liabilities (net)	5.51	-	25.45	
Current liabilities	947.71	1,274.95	1,474.25	
Total Liabilities	1,826.5	2,319.1	2,583.8	
Property, plant and equipment	157.78	155.65	147.05	
Capital work-in-progress	16.83	7.65	40.38	
Investment Property	-	27.62	27.66	
Other intangible assets	12.62	6.56	7.55	
Loans	2.20	2.06	2.39	
Deferred tax assets (net)	57.52	46.35	77.08	
Other Financial assets	0.41	0.97	0.08	
Other non-current assets	12.41	12.03	22.87	
Investments	0.003	0.003	0.003	
Non-current assets	259.77	258.88	325.05	
Inventories	6.58	7.41	7.89	
Trade receivables	289.40	550.92	581.73	
Cash and cash equivalents	486.12	493.16	460.07	
Bank balances other than cash and cash equivalents	366.85	340.71	679.97	
Loans	9.58	8.99	8.35	
Other financial assets	15.92	17.07	34.73	
Current tax assets (net)	6.84	8.28	10.09	
Other current assets	385.41	633.69	475.90	
Total Current assets	1,566.69	2,060.23	2,258.73	
TOTAL Assets	1,826.5	2,319.1	2,583.8	

Key Ratios			
Y/E March	FY17	FY18	FY19
EPS	14.32	13.79	17.04
Book Value Per share	49.16	59.66	65.18
Valuation(x)			
P/E (Upper Band)	22.35	23.21	18.78
P/E (Lower Band)	22.00	22.84	18.49
Price / Book Value	6.51	5.36	4.91
EV (crs)	4267	4286	3980
EV/Sales	2.78	2.91	2.13
EV/EBITDA	13.65	15.69	10.69
Profitability Ratios			
RoE	29.1%	23.1%	26.1%
RoCE	41%	33%	39%
Dividend Yield	6.61%	6.93%	2.40%
PAT Margin(%)	14.92	15.00	14.59
Liquidity Ratios			
Interest Coverage Ratio	141.1	119.9	184.1
Current Ratio	1.65	1.62	1.53

Cash Flow Statement				Rs in Crores
Y/E March	FY17	FY18	FY19	
Profit / (Loss) before tax	355.07	345.63	429.96	
Adjustments for:				
Depreciation	22.41	23.66	28.64	
Loss on sale of Fixed Assets	-	0.41	0.15	
Profit on sale of Fixed Assets	0.92	-	-	
Interest Income	-44.39	-45.68	-57.26	
Dividend Received	-	-3.89	-6.37	
Other Comprehensive Income	-	6.33	0.40	
Operating Profit before working capital	334.01	326.46	395.52	
Decrease / (increase) in inventories	1.68	-0.83	-0.48	
(Increase) / decrease in trade receivables	-37.19	-261.52	-30.81	
Decrease/(Increase) in Other Non- Current Financial assets	-	-0.56	0.89	
Decrease/(Increase) in Current financial Assets	0.89	0.03	-0.88	
Decrease/(Increase) current tax Assets	1.28	-	-1.80	
Decrease/(Increase) in Other Current Assets	-72.88	-248.28	157.79	
Decrease/(Increase) in Other Non- current assets	5.81	3.31	-10.85	
Decrease/(Increase) in Financial Assets Loans	-1.06	0.73	0.30	
(Decrease)/Increase in other Non-Current financial liability	4.32	18.35	-9.51	
(Decrease)/Increase in Non-current Provisions	-5.58	-19.50	-12.31	
(Decrease)/Increase in other Non- current liabilities	0.25	-1.40	-1.13	
(Decrease)/Increase in trade payables	85.88	13.25	41.13	
(Decrease)/Increase in other financial liability	63.36	97.75	104.99	
(Decrease)/Increase in other current liability	96.92	219.68	12.12	
(Decrease)/Increase in current provisions	-1.38	2.06	10.48	
Net changes in working capital	142.31	-176.92	259.93	
Cash generated from operations	476.32	149.55	655.45	
Income Tax Paid	-138.08	-125.92	-162.79	
Net cash from operating activities (A)	338.24	23.63	492.66	
Net cash from / (used in) investing activities (B)	93.57	40.21	-346.35	
Net cash from / (used in) financing activities (C)	-135.95	-56.79	-179.40	
Net Increase / (Decrease) in cash and cash equivalents (A+B+C)	295.86	7.04	-33.09	
Cash and cash equivalents at the beginning of the Year	190.26	486.12	493.16	
Cash and cash equivalents at the end of the Year	486.12	493.16	460.07	

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Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AJC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

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