

IRCTC Ltd : Good Issue

IPO Note: A Mini-Ratna, ZERO debt, Good Growth at Sales & EBITDA levels. Rs.10 Retail discount : Ranking***



Issue details

Price band (Rs)	Rs.315-320
IPO Opening Date	30/09/19
IPO Closing Date	03/10/19
Issue Size	Rs.645 Cr.

Recommendation

Total revenue grew at a CAGR of 9.12% from Rs.1505.74 Cr for the FY 2016 to Rs.1956.66 Cr for FY 2019. Net Profit Grew from Rs. 188.63 crore in FY2016 to Rs.272.60 crore in FY2019 at a CAGR of 13.06. For the last three fiscals it has posted an average EPS of Rs.15.50 and an average RoNW of 25.63%. Issue is priced at a P/BV of 4.91 (on upper price band) on the basis of its NAV of Rs.65.18 as on 31.03.19. **If we consider FY19 earnings and attribute it on its current paid up equity, then asking price is at a P/E of 18.79. Thus issue appears fully priced, but considering its monopolistic business, zero debt status, Good Growth at Sales & EBITDA levels makes it GOOD.**

Highlights

- Indian Railway Catering & Tourism Corporation Ltd. (IRCTC) is an only Public Sector Undertaking authorized to by Indian Railways to provide catering services, online railway tickets and packaged drinking water at railway stations and trains in India.
- The only company with tourism related services under one roof.
- IRCTC is offering a discount of Rs.10 per share to eligible employees and retail investors.
- A Mini-Ratna PSU with zero debt status.

Company Introduction

Incorporated in 1999, state-owned Indian Railway Catering and Tourism Corporation Limited (IRCTC) is a wholly-owned subsidiary of Indian Railways. IRCTC handles tourism, catering, online ticket booking services and provides packaged drinking water in trains and at railway stations in the country.

The company was conferred as a Mini-Ratna or Category-I Public Sector Enterprise by the Indian Government in 2008. In the last three months ended on 30th June, nearly 15 to 18 million transactions were placed per month through the IRCTC website. IRCTC also provides non-railway services including budget hotels, e-catering and executive lounges to create a one-stop solution for customers. Currently, the company operates majorly in four segments which are:

1. 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.

2. Packaged Drinking Water It is an authorized manufacturer and distributor of packaged drinking water on trains and at railway stations. The company manufactures packaged drinking water under brand name Rail Neer.



www.irctc.co.in

Financial Summary (Rs. In Crore)

Particulars	FY2019	FY2018	FY2017	FY2016
Total Income	1956.66	1569.56	1579.57	1505.74
Net Profit	272.6	220.62	214.69	188.63
EPS (Rs)	17.03	13.78	13.41	11.78

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

3. Catering Services:The company provides food catering services including on-board catering (through mobile) on trains and static catering services at stations.

4. Internet Ticketing :IRCTC has a mobile app and a dedicated website to offer online railway ticket booking facility.

The object of the issue are to:

To carry out the disinvestment of Equity Shares by the Selling Shareholder constituting Company's paid up Equity Share capital; and 2. To achieve the benefits of listing the Equity Shares on the Stock Exchanges.

Company Promoters:

The President of India acting through the Ministry of Railways is the promoter of the company.

IPO Issue Proceed

For listing gains through dis-investment, IRCTC is coming out with its maiden IPO with an offer for sale of 20160000 equity shares of Rs. 10 each with a price band of Rs.315 – Rs.320 to mobilize Rs.635.04 cr to Rs.645.12 cr. on the basis of lower and upper price bands. The company is diluting 12.6% of GoI holding with this issue. Issue opens for subscription on 30.09.19 and will close on 03.10.19. Minimum application is to be made for 40 shares and in multiples thereon, thereafter. It has reserved 160000 shares for eligible employees. From the balance shares on offer, it has allocated 50% for QIB, 15% for HNIs 15% and 35%for the retail investors. As the issue is purely an offer for sale, its post issue paid up equity will remain at Rs.160 cr. Post allotment shares will be listed on BSE and NSE. IRCTC is offering a discount of Rs.10 per share to eligible employees and retail investors.

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