

INDIAN RAILWAY CATERING AND TOURISM CORPORATION L-Sector

Apr 15, 2024

Hospitality

Buy at CMP: Rs 1058 | Target: Rs 1224 (16%) | SL: Rs 980



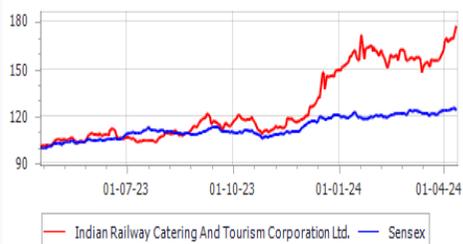
Script Details

| | |
|--------------------------------|----------|
| BSE Group | A |
| BSE Code | 542830 |
| NSE Code | IRCTC |
| Bloomberg Code | IRCTC IN |
| Market Cap (INR Cr.) | 84,612 |
| Free Float (%) | 37.6% |
| 52wk Low/High | 1069/580 |
| Beta (1yr Nifty 50) | 0.00 |
| Face Value (INR)/ D. Yield (%) | 2/0.5 |
| Total paid Up Shares (Mn.) | 800.0 |

Share Holding Pattern (%)

| Promoters | Public | Others |
|-----------|--------|--------|
| 62.4% | 37.6% | - |

Share Price Relative Performance



IRCTC, authorized by Indian Railways, is the sole provider of catering, ticketing, and water services on trains and at stations in India. It aims to modernize hospitality and promote tourism through public-private partnerships. It operates the highly trafficked website www.irctc.co.in and offers diversified services like e-catering and budget accommodations.

Investment Rationale

- ◆ **Robust Long Term Potential with Introduction of DFC:** The company anticipates that the introduction of the Dedicated Freight Corridor (DFC) will increase passenger train capacity by diverting freight trains to DFC, leading to higher growth in catering and online ticketing. Additionally, the inclusion of Vande Bharat trains and raised license fees are expected to boost catering revenues. With increased internet ticketing penetration and higher Rail Neer revenues, the company maintains a positive outlook on long-term prospects. Near-term revenue growth is expected from factors such as the addition of Rail Neer plants, non-catering partnerships, collaborations with Zomato, and the introduction of new premium trains.
- ◆ **Key Beneficiary with Rising Tourism In India:** The Tourism sector exhibited impressive quarter-over-quarter growth of 21.1%, reaching Rs. 2 billion, primarily fueled by the performance of the Tourism (excluding State-Tirtha) division. This segment recorded a margin of 12.1% in Q3, a notable increase from 3.6% in Q2. The surge can be credited to the continuous expansion of routes in Bharat Gaurav trains, catering to the demand for mass tourism. Despite a 57% decline in State Tirtha revenues QoQ, there was a substantial improvement of 486 basis points in operating profit margin. Management highlighted partnerships with 12 state governments to date, with Maharashtra being the next in line.
- ◆ **Catering & Ticketing Business Remain Healthy:** IRCTC's catering business surged 17.7% QoQ to Rs. 5.1 billion, driven by new prepaid trains and expanded contracts. Profitability slightly dipped to 15.4%, but catering contracts grew significantly to 1,518 trains. Additionally, 8 NRC projects were initiated, with 7 more underway. In eCatering, partnerships with more aggregators now cover 400 stations. Internet Ticketing revenue rose 2.4% QoQ, but profitability declined to 83.0% due to increased low-margin fees. Notably, Q3 bookings included Rs. 55mn AC tickets, Rs. 46mn Non-AC, and Rs. 14mn second sitting tickets.
- ◆ **Outlook and Valuations:** We estimate IRCTC to report PAT of INR 2152 Cr on revenue of Rs 7970 Cr by FY26E. Which implies forward PE of 39.9(x) for FY26E. We value it with a Price to Earnings of 45x to FY26E EPS which results per share value of INR 1224. We recommend BUY on IRCTC at CMP of INR 1058 with Target price of INR 1224 (16%).

Financial Snapshot

| Year | Revenue | EBITDA | PAT | PE Ratio (x) | EV/EBITDA (x) |
|-------|---------|--------|-------|--------------|---------------|
| FY23 | 4,080 | 1,428 | 1,106 | 76.5 | 51.6 |
| FY24E | 5,101 | 1,785 | 1,377 | 61.4 | 46.3 |
| FY25E | 6,376 | 2,231 | 1,721 | 49.2 | 37.0 |
| FY26E | 7,970 | 2,789 | 2,152 | 39.3 | 29.6 |

Source: Company Data, Ace Equity, GEPL Research

TECHNICAL VIEW

Observation

- IRCTC has shown impressive resilience compared to broader market indices, indicating a bullish sentiment surrounding the stock. Notably, on a weekly scale, there has been a significant shift in the trading range, with the resistance observed in November 2021 now serving as a support zone for the stock. This suggests the potential for an upward trajectory.
- Following a sharp uptrend from October 2023 to January 2024, the stock experienced a gradual decline. However, it reverted from this downtrend, coinciding with the 20-week Exponential Moving Average (EMA), thereafter forming higher highs and higher lows. The current week has seen a breakout of the recent weekly swing high with robust volume participation, indicating a strong price structure.
- On the daily scale, the stock has broken out of the Narrow Range (NR7) pattern with significant volume, suggesting a continuation of the upward momentum. Additionally, momentum indicators such as the Relative Strength Index (RSI) are above 60 across various timeframes, further reinforcing the bullish momentum.

IRCTC [N13611] 1057.65, 5.45%
Price Avg(E,20)



Inference & Expectations

- Considering these factors, it can be inferred that IRCTC stock is set to begin uptrend.
- Going ahead we expect the prices to move higher till 1240 level.
- The stop loss must be at 980 level, strictly on the closing basis.

Invest Now >>>

Source: Tradingview.in, GEPL Research



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