
IRCTC Analysis

— How IRCTC share price has seen —
~500% increase!

*Not any investment recommendation. Has been done only for educational/learning purposes.

The company

OVERVIEW

IRCTC is a distinguished Mini Ratna (Category-1 Central Public Sector Enterprise) company, incorporated in 1999 as an extended arm of the Indian Railways. The Company was formed with the objective to upgrade its catering and hospitality services to appropriately meet the needs of the modern age.

VENTURES

Operates as a monopoly under 4 segments with the following revenue breakdown-

- Internet ticketing segment- 57%
- Catering segment- 29%
- Tourism segment- 7%
- Rail Neer- 7%
- State Teerath- 00

SHAREHOLDING PATTERN

- Approx. 70% shares are held by the President of India.
- ~20% with FIIs and DIIs
- Rest available to public for subscription.

contd.

Management

CMD- Smt. Rajni Hasija

An IRTS 1988 batch officer. Has an experience of 29 yrs in Railways.

Director-Finance - **Sh.**

Ajit Kumar An IRAS 1989 batch officer with experience in various segments of railways.

Takeaways from latest corporate announcements

- Upcoming share split of 5:1.
- Recovery of financials from the Covid impact.
- Past 5 yrs ROCE- 12.95%
- Last announced dividend- Rs. 5 per share.

Red-flags

- Stock is trading at 40.44 times its book value
- The company has delivered a poor sales growth of -10.54% over past five years.
- Earnings include an other income of Rs.114.45 Cr.
- Company has high debtors of 251.73 days.

Break-down of analysis

I have looked at the fundamental side of IRCTC to conduct the EQUITY RESEARCH of the stock. The analysis has been divided into 2 parts-

- Fundamental analysis
 - DCF valuation
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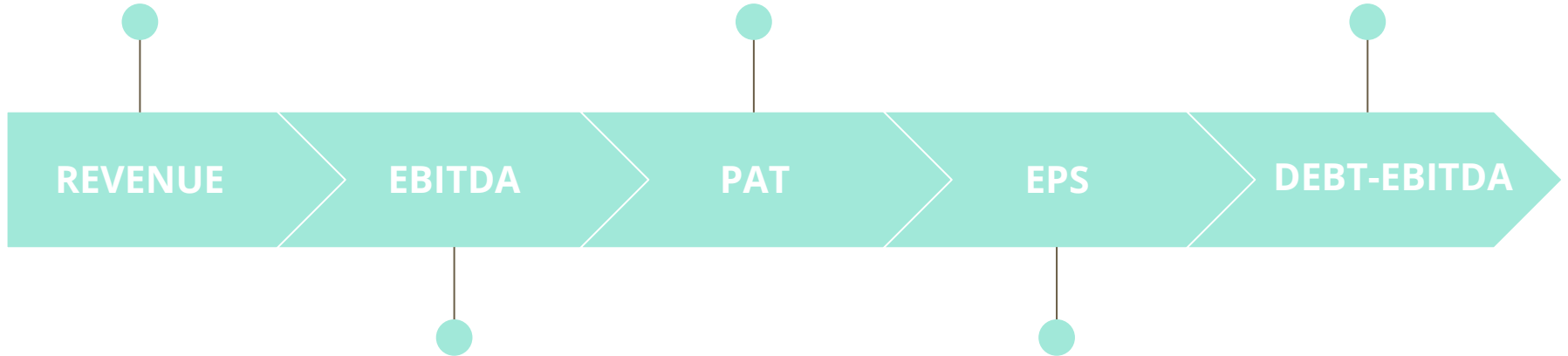
Application of financial checklist

*As FY 2021 was an year extreme year for most of the businesses especially railways, financials have been analysed till FY 2020.

Clocked in a CAGR of 10.62% from FY16-FY20.

FY21 PAT was recorded at INR 190 Cr. with FY16-FY20 CAGR at 22.10%.

The company is almost debt-free. The Interest payments are insignificant as compared to the EBIT.



29.91% CAGR from FY16-FY20.

The EPS for FY 21 was Rs 11.87.

- The P/E of the stock is 220.09 at present which very high.
- It is currently trading at 40.44 times its book value.
- The Receivables saw a sharp increase in FY21 at INR 778 Cr. This can be attributed to the Covid impact. However, in the previous years the receivables have in control in accordance to the sales.
- The RoE for the past 5 years is 28% which is a good sign.
- The company has recorded a strong cash-flow from operations at INR 409 Cr in Mar 2020.
- The days payable have seen a significant increase in in Mar 2021. This can again be given the benefit of doubt of Covid.
- IRCTC is a dividend paying company and hence can be a good option for seekers of regular income.

DCF modelling



Calculation of Free cash flow

*All figures in INR Crores

FREE CASH FLOW (FCF)			
	FY 19	FY 20	FY 21
CFO	499	409	247
Capex	-54	-35	-77
FCF	445	374	170
Avg. FCF	329.67~330		

Basic assumptions to build the model

Avg FCF	330
Growth rate	15% for the first 5 yrs.
	10% for the next five yrs.
Terminal Growthrate	5%
Discount rate	9%
Terminal value	28060.5

Predicting FCF and successive discounting

Year	Growth rate	Future FCF	Discount rate	Discounted value
1	15%	379.50	9%	348.17
2	15%	436.43	9%	367.33
3	15%	501.89	9%	387.55
4	15%	577.17	9%	408.88
5	15%	663.75	9%	431.39
6	10%	730.12	9%	435.35
7	10%	803.13	9%	439.34
8	10%	883.45	9%	443.37
9	10%	971.79	9%	447.44
10	10%	1068.97	9%	451.55
Terminal value	5%	29463.56	9%	12445.72
Net present value				16606.09

THE FINALE

CALCULATING NET DEBT		
Net present value 16606.1	Cash & cash equivalents (FY 21) 1460	Total debt (FY 21) 1699
Net FCF (NPV+Cash-Debt)		16367.1
FCF AVAILABLE PER SHARE= Net FCF/No. of equity shares		
Net FCF		16367.1
No. of shares (before split)		16
FCF per share		1022.94
COMPENSATING FOR MODELLING ERROR (+-10%)		
Lower band (1022.94-10%)		920.65
Upper band (1022.94+10%)		1125.23

CONCLUSION

- The IRCTC share is currently trading at INR 3600.(close price as on 21-09)
- As per the DCF model, its fair value should be somewhere between Rs. 921 and Rs. 1125.
- Hence, as per this model, the current value of the share is highly overpriced.
- Major reasons for this include
 - The monopoly of the company in the industry.
 - Backing of the GoI to the company.
 - The company is almost debt-free with no major borrowings.
 - Except for the Covid year (FY 21), the cash & cash equivalents have seen a constant increase.
 - The RoE and ROCE give favourable conclusions.
 - Cash flow from operations (CFO) have also been rising.