



Buying Businesses

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**IRCTC LTD.: STILL A
SAFE JOURNEY OR
FACING NEW HURDLES?**

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**Exclusive
Stock Analysis
Inside**



Introduction

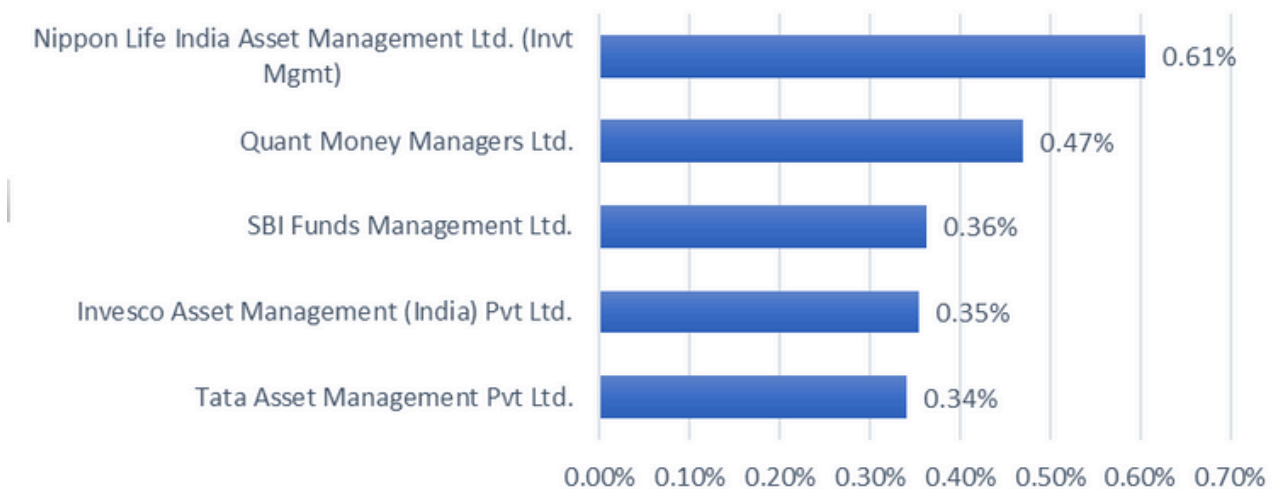
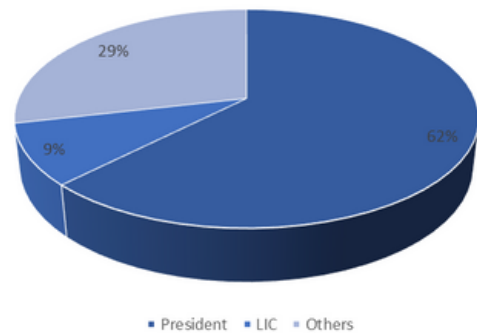


IRCTC has always been a household name in India, especially for those of us who've booked a railway ticket or two. The convenience it brought when it first launched its online platform was a game changer. I remember the days of standing in long queues at railway stations—IRCTC saved us from all that. But with times changing and competition increasing, the question now is:
Is IRCTC still the best ticket in town?

Sanjay Kumar Jain, a seasoned IRTS officer, has taken over as IRCTC's Chairman and Managing Director. A Chartered Accountant with over three decades of experience, he has held key leadership roles in various government departments and PSUs.

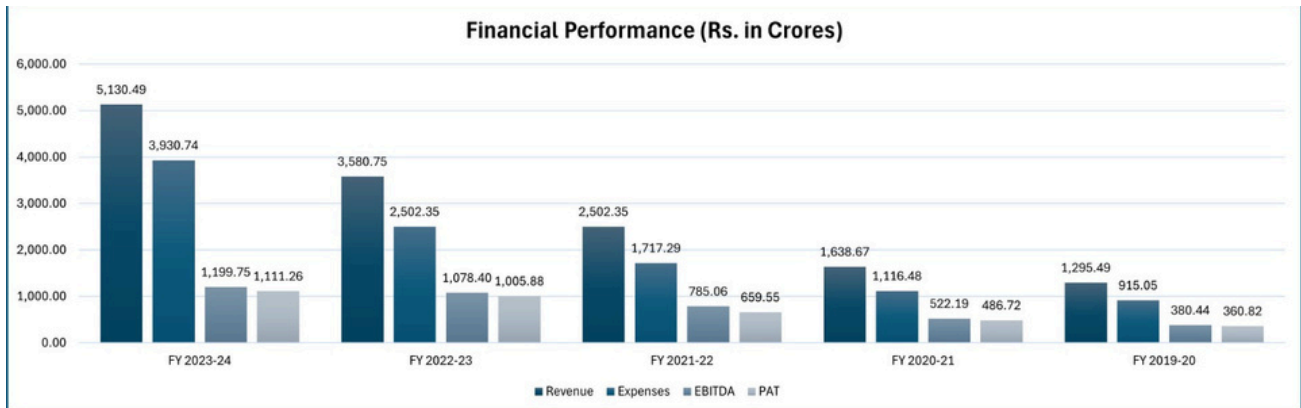
He has a proven track record in strategic planning, financial management, and operational efficiency. Jain's notable achievements include reviving the Maharajas' Express, launching executive lounges, and spearheading innovative initiatives for passenger amenities and environmental sustainability. His leadership has been recognized with prestigious awards from the Ministry of Railways.

IRCTC, a government-owned enterprise, primarily generates revenue through ticketing, catering, and tourism services. The company offers online railway ticket bookings, catering services for passengers on trains, and organizes packaged tours. Additionally, IRCTC has ventured into online food ordering and hotel booking services to diversify its revenue streams. The ownership structure is as under:





Company Financials



Key Observations from IRCTC's Financial Data (FY 2019 - 20 to FY 2023 - 24)

Revenue Growth

CAGR: IRCTC has achieved a CAGR of 42.38% in revenue during the past five years, indicating significant growth.

Growth breakdown: The internet ticketing and related services segment has been the primary driver, contributing to 46% of the overall revenue growth. Catering and packaging & bottled water segments have also played significant roles.

Profitability Improvement

EBITDA margin: The EBITDA margin has increased from 29.36% in FY 2020 - 21 to 35.09% in FY 2023 - 24, a 19.26% improvement.

PAT margin: Similarly, the PAT margin has risen from 27.83% to 21.66%, a 16.63% increase.

Dividend payout ratio: IRCTC has maintained a consistent dividend payout ratio, ranging from 27.75% to 58.74%.

Shareholder returns: This demonstrates a commitment to rewarding shareholders with a portion of the company's profits.

Impact of COVID-19

Revenue decline: The pandemic had a significant impact, causing a 35.93% decline in revenue in FY 2020 - 21.

Resilient recovery: However, IRCTC demonstrated resilience and was able to recover, with a 109.06% increase in revenue from FY 2020 - 21 to FY 2021 - 22.



Recent Developments



Recently, IRCTC's partnerships with food delivery giants like Zomato and Swiggy caught my eye. On the surface, it's exciting to think that your favorite meal could be delivered right to your seat. But then, as a regular traveler, I wonder—how many of us really use these services? While it's a nice add-on, it doesn't seem like something that will significantly move the needle for IRCTC's profits.



Then there's the digital experience. Anyone who's ever tried booking a tatkal ticket knows the frustration of watching seats disappear within seconds. It's almost become a race between us and the agents, who seem to snatch them up in no time. I've heard friends joke about how booking a tatkal ticket feels like winning a lottery. It's these customer pain points that IRCTC must fix because alternatives like MakeMyTrip and Easy Trip are making headway in rail bookings.

Yet, despite these challenges, there's no denying IRCTC's stronghold on railway ticketing. With over 8,000 trains running daily across India, it's the backbone of our rail network. But the emergence of private trains like Tejas Express and platforms offering a more seamless experience means IRCTC needs to stay sharp.



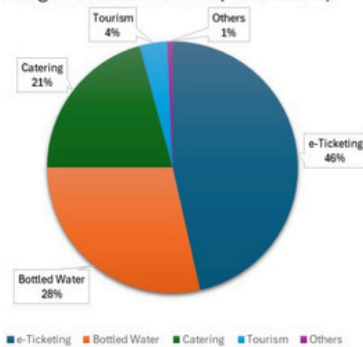


Segment-Wise Analysis

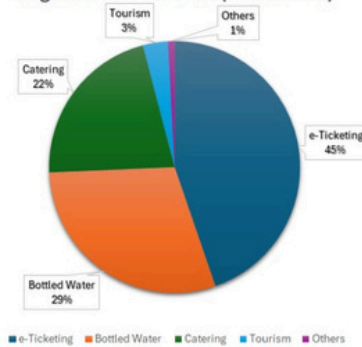


- **Ticketing:** As mentioned earlier, ticketing remains IRCTC's bread and butter, contributing 46% of total revenues. The introduction of dynamic pricing models and better customer engagement platforms has helped increase ticketing revenues, particularly in premium segments like tatkal and AC tickets.
- **Catering & Tourism: Catering:** while a critical part of IRCTC's portfolio, operates on thinner margins compared to ticketing. However, the partnerships with Zomato and Swiggy could help this segment grow in the coming years. Tourism services, which include special trains, packages, and hotel bookings, are yet to contribute meaningfully to the bottom line but are gradually expanding their reach.
- **Rail Neer:** The packaged drinking water segment has also seen growth, with Rail Neer revenues contributing around 28% of total revenues. With more water plants being set up across India, this segment is expected to show incremental growth in the future.

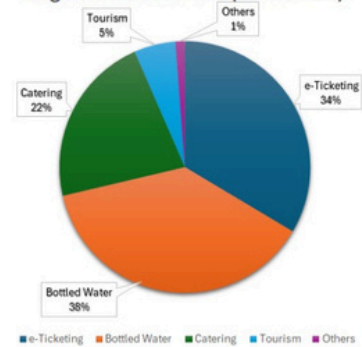
Segment wise revenue (FY 2023-24)



Segment wise revenue (FY 2022-23)



Segment wise revenue (FY 2021-22)





At the end of the day, IRCTC still holds a near-monopoly in railway ticketing, and that's not going away anytime soon. Financially, the company is solid, boasting impressive margins and steady revenue growth. However, sustaining its profitability will depend on how it tackles growing competition from private platforms, improves customer experience, and diversifies into other services like catering and tourism.

For long-term investors, IRCTC remains a solid hold, especially if you believe in its ability to innovate and maintain its dominant position. But it's also crucial to keep an eye on its quarterly numbers and how it manages its growth beyond ticketing.

Disclaimer: I personally hold IRCTC in my portfolio, but this is in no way a recommendation. This piece is intended for educational and thought-provoking purposes only. Please conduct your own research before making investment decisions.

About the Author

A Chartered Accountant with a solid foundation in auditing, taxation, and stock analysis is empowering individuals to achieve their financial goals by managing investment portfolios in Global Equities and Indian Mutual Funds.

Let's connect to build a financially prosperous tomorrow.

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