

# Indian Railway Catering & Tourism Corporation Ltd — Aug 2024 Quarterly Analysis

## 1. VERDICT & BUSINESS QUALITY SNAPSHOT

*The punchline. Read this first — it frames everything below.*

**Result: Beat One-line:** Record profitability (PAT ₹308 Cr) confirms IRCTC's successful transition into a volume-led catering and tourism play, offsetting the natural saturation of its high-margin ticketing business.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Record PAT of ₹308 Cr (+32.5% YoY); Catering/Rail Neer exceeded internal efficiency targets.	☐
Earnings Quality	High (Core driven)	Growth driven by volume in Catering and capacity utilization in Rail Neer; stripped of Q4's one-off ad revenue.	☐
Guidance Confidence	Strong	Management clearly articulated the "Cluster" model for catering and Rail Neer expansion.	☐
Management Credibility	Strong	Upgraded to Schedule A company; successfully managing the shift to UPI without sacrificing absolute profit.	☐
Business Quality Signal	Improving	Rail Neer utilization surged to 86%; E-catering growing at 40%+ revenue CAGR.	☐
Key Q&A Exchange	Q# 9: UPI Pricing Parity	Management refuses to hike UPI fees to maintain 84% digital penetration and absolute volume growth.	☐
The Street's Primary Anxiety	Catering margin volatility and Ticketing saturation.	Mgmt explained seasonality and shift to Vande Bharat/ Cluster contracts as margin stabilizers.	☐
Capital Cycle Stage	Harvesting / Investment (Hybrid)	Harvesting ticketing cash; investing in Rail Neer plants and Catering "Clusters."	☐
Margin / Return Ratio Trajectory	Stable	EBITDA margin 33.47% (Stable YoY) despite higher revenue share from lower-margin Catering.	☐
Pricing Power	Stable / Eroding (Regulated)	Management admits pricing is "administered" by Railway Board; no immediate hikes planned.	☐
FCF Conversion & Quality	Strong	Cash balance of ₹2,908 Cr against a Net Worth of ₹3,538 Cr indicates high cash generation.	☐
Competitive Moat Signals	Stable	84% of all railway tickets now booked via IRCTC; UPI share rising to 45%.	☐
Balance Sheet Strength	Strong	Debt-free with massive cash reserves (₹2,908 Cr).	☐
Working Capital Efficiency	Stable	High cash-and-carry business model in Ticketing; Catering cluster contracts improve receivables.	☐
Mgmt Guidance Track Record	Reliable	Consistent delivery on Rail Neer capacity additions and E-catering expansion.	☐
Key Vulnerability / Red Flag	Administrative Pricing	Dependence on Ministry for tariff hikes in Catering and Rail Neer limits margin upside.	☐
Management Tone	Confident / Institutional	Professional, data-driven, and focused on the Schedule A/Navratna transition.	☐

**Key Takeaways (Positives & Negatives):** \* **Positives:** Record PAT driven by Catering (+17% YoY) and Rail Neer (+16.5% YoY). Rail Neer utilization reached a peak of 86% despite capacity additions. E-catering is a massive dark horse, growing revenue at 40.9% YoY. UPI adoption (45% of transactions) is driving total digital ticketing share to 84%. Upgrade to Schedule A company improves organizational prestige and autonomy. \* **Negatives:** Internet ticketing revenue is approaching a ceiling as penetration hits 84%. Tourism segment was hit by election-related disruptions (-12.4% YoY). Pricing remains at the mercy of the Railway Board, with no tariff hikes in Rail Neer for 12 years and Catering since 2019. \* **Street Concern:** Analysts are worried about the lower fees on UPI transactions vs. Credit Cards. Management responded that the lower price point is the "volume driver" that ensures 84% of all rail tickets flow through their portal, maximizing absolute profit over per-ticket margins. \* **Forward Watchpoint:** Monitor the commissioning of the Vijayawada Rail Neer plant (Oct 2024) and the rollout of the "Cluster" catering contracts, which should provide more predictable, long-term margin stability.

## 2. BUSINESS PERFORMANCE

### 2A. KEY METRICS

DATA SOURCE: PPT not available — all numbers sourced from concall transcript.

Metric	Current Qtr (Q1FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Total)	₹1,120.15 Cr (derived)	+11.8%	-3.0%	↑	Growth led by Catering and Rail Neer; QoQ dip due to seasonality in Ticketing and Tourism.
Internet Ticketing Rev	₹29 Cr	+13.4%	-3.9%	↑	Saturated but growing via non-convenience income.
Catering Revenue	₹59 Cr	+17.1%	+5.3%	↑	Volume growth driven by Vande Bharat and Mail/Express trains.
Rail Neer Revenue	₹107 Cr	+16.5%	+34.4%	↑	Driven by extreme summer and higher utilization (86%).
Tourism Revenue	₹124.8 Cr	-12.4%	-38.1%	↓	Subdued due to general elections and non-operational trains.
EBITDA	₹75 Cr	+9.32%	+3.38%	↑	Operational efficiency in high-volume segments.
EBITDA Margin %	33.47%	Flat	+206 bps	→	Margin expansion QoQ due to cost management.
PAT	₹308 Cr	+32.5%	+8.2%	↑	All-time high profit for the company.
Convenience Fee Rev	₹24 Cr	+13.1%	Not stated	↑	Driven by 11.81 Cr tickets sold in Q1.
Non-Convenience Rev	₹105 Cr	+14.1%	-11.0%	↑	Q4 had ₹12 Cr one-off ad revenue which is absent now.
Rail Neer Capacity	17.68 Lakh bot/day	+14.4%	Not stated	↑	Utilization improved to 86% vs 73% YoY.
E-Catering (Avg Meals)	1 Lakh+/day	+35%	Not stated	↑	Revenue in this sub-segment grew 40.9% YoY.
UPI Share	45%	+800 bps	Not stated	↑	Continues to eat share from other payment modes.

### 2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin (%)	Trend	vs Co. Avg	Key Development
Internet Ticketing	329	13.4%	82.76%	→	Higher	84% of total railway tickets now booked online.
Catering	559	17.1%	13.94%	↑	Lower	Cluster system rollout; E-catering revenue grew 40.9%.
Rail Neer	107	16.5%	12.65%	→	Lower	Utilization at 86%; new Vijayawada plant in Oct.
Tourism	124.8	-12.4%	9% - 20%*	↓	Lower	Impacted by Elections; State Teertha trains stalled.

\*Margins vary by type: 20% for State Govt trains, 9-11% for Bharat Gaurav.

### 3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	PAT Growth	Grow at/above 5-year CAGR of 21%.	Needs ~₹1,250 Cr PAT for FY25; Q1 is ₹308 Cr (on track).	Delivered	Low
Guidance	Revenue Growth	Maintain 17.3% CAGR.	Needs ₹5,000 Cr+ for FY25; Q1 at ₹1,120 Cr.	Delivered	Low
Guidance	Capacity (Rail Neer)	Commission Vijayawada plant by Oct 2024.	72,000 bottles/day incremental.	Generally on time	Execution delay
Strategy	Segment Mix	Increasing share of Vande Bharat (Premium).	Vande Bharat revenue was ₹12 Cr this quarter (early stages).	High growth	Low
Strategy	Digital Penetration	Increase share of ticketing via UPI/App.	Currently 84% of total tickets; likely ceiling at 88-90%.	Strong	Saturation
Macro	Infrastructure	Beneficiary of ₹2.6 Lakh Cr Railway Capex.	DFC opening will free up lines for more passenger trains.	Strong tailwind	Policy shift
Balance	Status	Transition from Mini-Ratna to Navratna.	Pre-condition (Schedule A) met this quarter.	Achieved	Low

## 4. ANALYST Q&A

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Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	Deepak / Sundaram MF	Vande Bharat Revenue	Financials	What is the revenue contribution from the 51 Vande Bharat trains?	Management stated Vande Bharat accounts for roughly 12% of premium train revenue, which totaled ₹12 Cr in Q1 (later clarified). Higher adoption of premium trains will drive absolute profit growth even if per-meal margins are administered prices.	Specific margin per Vande Bharat vs Duronto.	4.0	Quantified
2	4.0	Deepak / Sundaram MF	Market Size	Business Overview	How many more Mail/ Express trains can IRCTC address?	IRCTC currently services 1,259 trains (117 prepaid, 440 with pantry, 702 TSV) out of an addressable market of trains running >12 hours. Expansion is tied to the Railway Board adding more long-distance and Vande Bharat trains.	Total "addressable" number beyond current 1,259.	3.5	Directional
3	4.5	Madhuchanda Dey / MC Pro	Ticketing Breakdown	Financials	Breakup of convenience vs. non-convenience fees.	Convenience fees were ₹224 Cr and non-convenience fees were ₹105 Cr, with	None	5.0	High Clarity

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						the latter seeing a QoQ dip due to a ₹12 Cr one-off ad revenue in Q4. This confirms the underlying ticketing business is stable and growing YoY despite the QoQ optical decline.			
4	4.0	Madhuchanda Dey / MC Pro	Rail Neer Utilization	Business Overview	How did Rail Neer perform given the harsh summer?	Utilization surged from 73% to 86% with daily production hitting 14 lakh+ bottles against a capacity of 17.68 lakh. Higher utilization directly improves segment ROCE and absolute margins.	None	5.0	Specific
5	3.5	Mohit Jain / Tara Capital	Catering Volatility	Financials	Why are catering margins so volatile quarter-to-quarter?	Management attributed volatility to seasonality (booking in Q4 for Q1 travel) and the mix of prepaid vs. post-paid services. Investors should look at annual margin bands (12-15%) rather than	Steady-state margin for "Clusters" specifically.	3.0	Vague

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						quarterly fluctuations.			
6	4.0	Jyoti Singh / Arihant Cap	Capex & Tourism	Capex and Allocation	What is the Rail Neer capex and tourism growth strategy?	IRCTC is adding a plant in Vijayawada and evaluating Mysore/ Varanasi while focusing on "mass tourism" volume over high margins. The 9-11% margin in Bharat Gaurav trains is compensated by 20% margins in State Teertha contracts.	Specific capex □ figure for FY25.	3.0	Hedges on Capex
7	3.5	Vivek Rathi	Market Tailwinds	Management Outlook	What are the structural growth drivers for the next 3 years?	Management cited the booming economy, DFC freeing up track capacity, and ₹2.6 Lakh Cr Govt investment in rail infrastructure. This suggests a secular increase in the number of trains (and thus catering/ ticketing volumes).	Number of new trains expected in FY25.	3.0	Macro focus
8	4.5	Rattan Joneja / CoValue	UPI Pricing	Financials	Why not bring UPI fees (₹10/₹15) to	Management argued that the lower UPI fee is what	None	5.0	Strategic Clear

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					parity with other modes (₹20/₹30)?	drove online booking share from 73% to 84%, maximizing total volume and absolute profit. This indicates a strategic choice to prioritize market share and digital adoption over short-term fee optimization.			
9	3.5	Rahul Jain / Dolat Capital	Rail Neer Pricing	Financials	Is there a price hike coming for Rail Neer bottles (stagnant for 12 years)?	Management intends to keep the price at ₹15 to remain competitive and fulfill its "USP" of affordable water for passengers. Growth will come from capacity expansion and operational efficiency rather than realization hikes.	Potential timeline for Board review.	4.0	Firm stance

### PATTERN FLAGS & SENTIMENT

- **Theme: Administered Pricing vs. Volume Growth.** Analysts repeatedly questioned when IRCTC would hike prices for Rail Neer (12 years unchanged) or Catering (5 years unchanged). Management was firm and defensive, signaling that they view themselves as a volume-driven service provider for the Ministry of Railways. They are effectively trading off pricing power for a guaranteed, expanding monopoly on volume.
- **Theme: The UPI "Tax".** The friction between lower UPI fees and higher Credit Card fees is a recurring point of analyst skepticism. Management's posture is confident—they believe the 84% digital penetration is their greatest moat and don't want to risk it by hiking UPI fees.

**Analyst Sentiment Verdict:** Analysts remain skeptical of the margin ceiling in the Catering and Rail Neer segments due to fixed pricing, but are clearly impressed by the 32% PAT growth and Rail Neer efficiency. The

tone was generally positive, especially regarding the Schedule A upgrade. The single unresolved issue is the long-term margin trajectory of the "Cluster" catering model once fully implemented.

### GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Opening)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Vande Bharat Revenue	"Exceptional growth"	₹12 Cr revenue in Q1.	The contribution is still very small (approx 1% of total revenue).	High reliance on future train rollouts; slow current impact.
Non-Convenience Rev	Growing momentum	Dip of ₹13 Cr QoQ	Revealed a one-off ₹12 Cr ad revenue in Q4 was propping up numbers.	Ancillary revenue is lumpy and event-driven (e.g., elections).

## 5. WHAT CHANGED vs PRIOR QUARTER

*First entry — no prior quarter to compare. Baseline established for Q1FY25.*

What Changed	Prior Quarter	This Quarter	Direction
Corporate Status	Mini-Ratna (Schedule B)	Schedule A (Navratna pathway)	↑
Digital Penetration	73% (Historic avg)	84%	↑
Payment Mix (UPI)	37%	45%	↑
Rail Neer Utilization	73%	86%	↑
Ticketing One-offs	₹12 Cr (Ads)	Zero	↓

STOP HERE.